

**Amalgamation of
DENISON MINES LIMITED
and
STANROCK URANIUM MINES LIMITED**

***Information Circular-Proxy Statement
dated December 27, 1972***

**AMALGAMATION
of
DENISON MINES LIMITED
and
STANROCK URANIUM MINES LIMITED**
INFORMATION CIRCULAR-PROXY STATEMENT

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DENISON MINES LIMITED

4 King Street West
Toronto, Ontario
("Denison")

STANROCK URANIUM MINES LIMITED

80 Richmond Street West
Toronto, Ontario
("Stanrock")

INFORMATION CIRCULAR—PROXY STATEMENT

This Information Circular — Proxy Statement ("Proxy Statement") is furnished by the managements of Denison and Stanrock in connection with the solicitation of proxies from shareholders of their respective companies for use at the following meetings:

A General Meeting of the shareholders of Denison to be held on the 9th day of February, 1973, at 10 o'clock in the forenoon (Eastern Standard Time), in the Concert Hall, Royal York Hotel, 100 Front Street West, Toronto, Ontario;

A General Meeting of the shareholders of Stanrock to be held on the 7th day of February, 1973, at 10 o'clock in the forenoon (Eastern Standard Time), in the Princess Ballroom, Americana Hotel, 7th Avenue at 52nd Street, New York, New York.

The purpose of both meetings is to consider and take action upon a proposal to amalgamate the two companies and matters related thereto.

Shareholders of each company are entitled to one vote for each share of stock held of record by them at the time of the respective meeting. Each company has only one class of shares outstanding. The following table sets forth, in the case of each company, the number of outstanding shares and the percentage of shares required to be represented at the meeting in order to constitute a quorum.

	Number of shares outstanding on December 27, 1972	Quorum requirement
Denison	4,474,703	10%
Stanrock	6,546,323	51%

In the case of Denison, shareholders of record at the time of the meeting will be entitled to vote at the meeting.

In the case of Stanrock, notice of the meeting is being mailed to shareholders of record at the close of business on December 20, 1972. Notice of the meeting will also be mailed to shareholders who become shareholders of record between December 20, 1972 and February 5, 1973. The stock transfer books of Stanrock will be closed at 10 A.M. (Eastern Standard Time) on February 5, 1973 and will remain closed until 10 A.M. on February 7, 1973, and only Stanrock shareholders of record as of 10 A.M. (Eastern Standard Time) on February 7, 1973 will be entitled to vote at the meeting.

The affirmative vote required at each meeting to adopt each resolution referred to in this Proxy Statement is not less than $\frac{2}{3}$ of the votes cast thereon at the meeting, provided that a quorum is present at the meeting.

The laws of the Province of Ontario do not afford rights of appraisal to shareholders dissenting from any action to be taken at the meetings.

Unless otherwise indicated all monetary units herein are expressed in Canadian dollars.

THE PROPOSED AMALGAMATION

Denison and Stanrock, with the approval of their Boards of Directors, have entered into two agreements, a Representations Agreement and an Amalgamation Agreement ("the Agreements") which contemplate that Denison and Stanrock will be amalgamated into one company ("the Amalgamated Company") under the provisions of The Business Corporations Act of Ontario. Copies of the Agreements (exclusive of exhibits) are annexed hereto as Schedules. In connection therewith, the Agreements contemplate that, immediately prior to the amalgamation of the two companies, each 70 outstanding shares of Stanrock (after the cancellation of 63 shares) will be consolidated into one share of Stanrock and that, upon the amalgamation, all of the then outstanding shares of Denison and of Stanrock will be converted into shares of the Amalgamated Company on a one-for-one basis. The effect of such consolidation and of the amalgamation will be that each shareholder of Denison will be entitled to one share of the Amalgamated Company for each share of Denison now held and that each shareholder of Stanrock will be entitled to one share of the Amalgamated Company for each 70 shares of Stanrock now held.

The terms and conditions of the amalgamation are the result of arms' length bargaining between the representatives of the two companies. This Proxy Statement does not contain certain information which might be considered in arriving at a determination of the terms and conditions of the proposed amalgamation, including the following: gross operating revenues and costs of Denison; operating costs and revenues of Denison's uranium operation; prices for uranium Denison has received or will receive under long-term sales contracts; details as to the gross tonnages and grades of uranium bearing material contained in Denison's Elliot Lake deposit. None of this information has been made available by Denison to Stanrock although requested by Stanrock's management for the purpose of the preparation of this Proxy Statement, to Denison's own shareholders or to the public generally and it is the opinion of the management of Denison that the disclosure of such information would unduly prejudice the competitive position of Denison in the uranium market and be detrimental to the interests of its shareholders. Accordingly Denison has declined to furnish such information for use in this Proxy Statement. Denison has been authorized by orders of the Supreme Court of Ontario and the Ontario Securities Commission to omit figures for sales or gross operating revenues from its published financial statements for 1967 to date, being the years as to which, without such orders, such figures would have been required by statute to have been disclosed. The boards of directors of both companies have approved the Agreements and the transactions contemplated thereby. The managements of both companies consider that an informed opinion can be arrived at in order to exercise prudent judgment in this situation without the above information.

Upon the amalgamation, the Amalgamated Company will own all of the assets of the two companies and will be subject to all of their liabilities; the management of the Amalgamated Company will be the same as the present management of Denison; the directors of the Amalgamated Company will be the present directors of Denison, together with George Rowe, Jr., President of Stanrock; the Amalgamated Company will be named Denison Mines Limited; its Articles of Incorporation will be based upon the Amalgamation Agreement and its By-laws will be the present By-laws of Denison.

The following table sets forth the shares of Denison and Stanrock outstanding on December 27, 1972, and the number of shares of the Amalgamated Company which would have been outstanding on that date had the amalgamation become effective on that date:

Denison		Stanrock	Amalgamated Company
4,474,703	Prior to Stanrock consolidation	6,546,323	
	Less to be cancelled*	63	
		6,546,260	
4,474,703	After Stanrock consolidation (1 for 70)	93,518	4,568,221

* Such shares are being cancelled in order to make the outstanding Stanrock shares evenly divisible by 70.

After the amalgamation becomes effective, which is anticipated to be on or about February 15, 1973, it is expected that the Amalgamated Company will advise shareholders of a procedure to be followed pursuant to which certificates for shares of Stanrock and shares of Denison may be exchanged for certificates representing shares of the Amalgamated Company.

Fractional shares

Under the amalgamation contemplated by the Agreements, the shareholders of Stanrock who become entitled to fractions of shares of Stanrock by reason of the one-for-70 consolidation of shares referred to above will be entitled to equivalent fractions of shares of the Amalgamated Company.

Under The Business Corporations Act of Ontario, the owner of such a fraction is not, as such, entitled to be registered on the books of the Amalgamated Company as a shareholder. He receives a bearer fractional

certificate in respect of such fraction, which entitles him, upon presentation of such certificate and other such certificates aggregating one or more whole shares to the Amalgamated Company or its transfer agent, to receive a share certificate for such whole share or shares, together with any accrued dividends.

Denison and Stanrock have been advised by Standard Securities Limited in Toronto and M. & S. Wien & Co., Inc. in Jersey City, New Jersey that they intend to maintain a market in bearer fractional certificates of the Amalgamated Company, so that holders thereof may either sell such certificates, or buy others in order to aggregate whole shares. It is also anticipated that other dealers in securities will deal in such bearer fractional certificates.

Other provisions

The obligations of each of the parties are subject to certain conditions set forth in the Agreements, including approval by the shareholders of both companies. The Agreements may be terminated by mutual action of the Boards of Directors of the two companies at any time prior to the amalgamation without further shareholder action.

Reference is made to the copies of the Agreements annexed hereto for a complete statement of the terms and conditions thereof.

Listing of shares

It is anticipated that in due course the shares of the Amalgamated Company will be listed and posted for trading upon the Toronto and Montreal Stock Exchanges.

Reasons for the Amalgamation

The proposed amalgamation is considered by the managements of the two companies to be mutually advantageous to the two companies and their shareholders. For Denison and its shareholders, it represents an enlargement of Denison's Elliot Lake uranium properties; certain of Stanrock's properties, including its Quirke Lake property (see "Business and Properties of Stanrock"), are contiguous to those of Denison. Stanrock's two mining shafts which penetrate to a depth of approximately 3,000 feet are expected to be used for additional ventilation or otherwise in the exploitation of Denison's mine; and certain of Stanrock's milling facilities are expected to supplement those of Denison. Stanrock is presently an inactive company with limited resources. A combination with Denison, a large, financially strong and diversified company, will better preserve the interests of the Stanrock shareholders in the uranium industry through an uncertain period in which uranium prices may remain below those which would enable Stanrock to operate profitably. In addition, in view of Stanrock's high start-up and operating costs and relatively low-grade deposits, the combination will provide shareholders of Stanrock with an opportunity to gain from uranium price improvements which would benefit Denison, but which might not be sufficient to enable Stanrock to resume production.

Voting

The Boards of Directors of both companies believe that approval by the shareholders of the Agreements and the amalgamation will be in the best interests of both companies and their shareholders, and recommend a favourable vote for the following resolutions which will be presented at each meeting:

BE IT RESOLVED THAT

the resolution of the board of directors of the Company approving the Amalgamation Agreement between Denison Mines Limited and Stanrock Uranium Mines Limited, authorizing the execution and delivery of such agreement and authorizing the proper officers of the Company to take such steps as may be necessary to carry the said Amalgamation Agreement into effect be and the same is hereby confirmed without variation.

BE IT RESOLVED THAT

the resolution of the board of directors of the Company approving the Representations Agreement between Denison Mines Limited and Stanrock Uranium Mines Limited, authorizing the execution and delivery of such agreement and authorizing the proper officers of the Company to take such steps as may be necessary to carry the said Representations Agreement into effect be and the same is hereby confirmed without variation.

In addition, the Board of Directors of Stanrock recommends a favourable vote upon the following resolution, which will be presented only to the meeting of its shareholders:

BE IT RESOLVED THAT

the shareholders hereby confirm (without variation) the resolution passed by the board of directors of the Company providing for the amendment of the Articles of Incorporation of the Company so as to:

- (a) decrease the authorized capital of the Company from \$10,000,000 to \$9,999,937 by cancelling 63 issued shares with a par value of \$1 each in the capital of the Company which are now outstanding and registered in the name of George Rowe, Jr., without repayment of capital;
- (b) change all the 9,999,937 shares, both issued and unissued, in the capital of the Company remaining after the cancellation provided for in paragraph (a) hereof into shares without par value; provided that the said 9,999,937 shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$9,999,937 or such greater amount as the board of directors of the Company by resolution determines;
- (c) consolidate all the 6,546,260 issued shares without par value in the capital of the Company remaining after the cancellation provided for in paragraph (a) hereof and resulting from the change provided for in paragraph (b) hereof into shares without par value on the basis that each 70 of the said issued shares shall become one issued share, so that the issued capital of the Company shall consist of 93,518 shares without par value ranking on a parity with the 3,453,677 unissued shares in the capital of the Company; and
- (d) make the Company not subject to Part IV of The Corporations Act by deleting the paragraph in its articles of incorporation reading as follows: "AND IT IS HEREBY ORDAINED AND DECLARED that the said Company shall be subject to Part IV of The Corporations Act, 1953."

The purpose of these proposed changes in the Articles of Incorporation of Stanrock is to change the capital structure of Stanrock so that the amalgamation may be effected within the technical requirements of The Business Corporations Act of Ontario and the Income Tax Act (Canada).

Unless there is the appropriate vote on each of the above resolutions, the amalgamation will not be proceeded with.

TAX INFORMATION

General

The following is a summary of the tax rulings and opinions received with respect to the Canadian and United States tax consequences of the amalgamation to the shareholders and is subject in all respects to the terms of such rulings and opinions.

Canadian Tax Consequences

- Denison and Stanrock have received an opinion of Messrs. Fraser & Beatty of Toronto that:
1. No tax will be payable by shareholders of Denison or Stanrock under the Income Tax Act (Canada) on income or capital gains as a result of the amalgamation, except as is indicated in paragraph 5 below.
 2. Where a shareholder has acquired his shares of either company after December 31, 1971 (otherwise than in a non-arms length transaction), his adjusted cost base for the shares of the Amalgamated Company will continue to be his cost of the original shares.
 3. Where a shareholder owned his present shares of either company on December 31, 1971, the so-called "tax-free zone" rules will ordinarily be applicable in determining the adjusted cost base for such shares, in the absence of an election to the contrary by an individual shareholder with respect to all his capital property when he files his return for 1972 or 1973. Such adjusted cost base, as determined under those rules at the time of the amalgamation, will be deemed to be his adjusted cost base of the shares of the Amalgamated Company into which his present shares are converted. Following the amalgamation the "tax-free zone" rules will no longer apply in determining the adjusted cost base of shares of the Amalgamated Company.
 4. The effect of the "tax-free zone" rules for a shareholder of Denison who owned such shares on December 31, 1971 is that his adjusted cost base of his shares of the Amalgamated Company will be fixed at the figure which is neither the greatest nor the least of (a) his original cost of his Denison shares, (b) the value of such shares on December 22, 1971 (the "Valuation Day value"), and (c) the value of such shares immediately prior to the amalgamation (the "Amalgamation Day value"). Assuming (as appears likely) that the Amalgamation Day value of the shares of Denison is greater than the Valuation Day value of such shares, a shareholder's adjusted cost base of such shares will be adversely affected only if his cost was higher than the Amalgamation Day value; in that event the adjusted cost base of the shares of the Amalgamated Company will be fixed at the Amalgamation Day value and the benefit of the higher original cost under the "tax-free zone" rules will be eliminated.

5. Tax will be payable on capital gains under the Income Tax Act (Canada) by any shareholder of Stanrock to the extent, if any, that the value as at the date of the amalgamation of the shares of the Amalgamated Company which he receives exceeds his adjusted cost base for his shares of Stanrock; but such tax will not be payable by any shareholder who is a United States resident or a United States corporation and who does not have a permanent establishment in Canada; the adjusted cost base of shares of the Amalgamated Company acquired by a former shareholder of Stanrock will be the value of his shares of Stanrock immediately before the amalgamation.
6. The "tax-free zone" rules do not apply to shares which are not capital assets in the hands of a shareholder — e.g. where the shareholder is a trader or dealer in securities. Paragraphs 3 to 5 inclusive would not apply to such a shareholder.

United States Tax Consequences

Denison and Stanrock have received a ruling from the United States Internal Revenue Service satisfactory to United States counsel for Denison and for Stanrock and which in effect provides that for United States federal income tax purposes, among other things:

1. No gain or loss will be recognized to the shareholders of Denison or Stanrock on the conversion of their shares of Denison or Stanrock into shares of the Amalgamated Company.
2. The basis of the shares of the Amalgamated Company in the hands of a shareholder of Denison or Stanrock will be the same as his basis in the shares of Denison or Stanrock exchanged therefor.
3. The holding period of shares of the Amalgamated Company received by a shareholder of Denison or Stanrock will include the period for which he held the shares of Denison or Stanrock exchanged therefor provided such shares constitute a capital asset in his hands.
4. No gain or loss will be recognized to Denison, Stanrock or the Amalgamated Company as a result of the amalgamation.

In addition, Denison has received from its United States counsel, Messrs. Mudge Rose Guthrie & Alexander of New York, and Stanrock has received from its United States counsel, Messrs. Fulton, Walter & Duncombe of New York, opinions that no United States interest equalization tax will be payable by any holder of shares of Denison or Stanrock upon the conversion of such shares into shares of the Amalgamated Company.

The opinion of Stanrock's United States counsel also states that, in the case of a shareholder of Stanrock who receives a bearer fractional certificate of the Amalgamated Company in respect of a fraction of a share of Stanrock to which he becomes entitled by reason of the one-for-70 consolidation of shares referred to above, (i) a pro rata portion of the basis of his shares of Stanrock will be allocated to such bearer fractional certificate and the holding period of such certificate will include the period for which he held the shares of Stanrock in respect of which such certificate was received, provided such shares constitute a capital asset in his hands; (ii) subject to the same proviso, any gain or loss realized by the shareholder on the sale of such bearer fractional certificate will be recognized as a capital gain or loss; and (iii) the purchase of additional bearer fractional certificates of the Amalgamated Company by a United States shareholder to entitle him to one or more whole shares of the Amalgamated Company will not be subject to United States interest equalization tax provided the transaction qualifies for the exemption under the Internal Revenue Code for prior American ownership of the acquired certificates.

Denison has been authorized by orders of the Supreme Court of Ontario and the Ontario Securities Commission to omit figures for sales or gross operating revenues from its published financial statements for the years as to which, without such orders, such figures would have been required by statute to have been disclosed, such orders being granted on the grounds that disclosure of such figures would unduly prejudice the competitive position of Denison in the uranium market and be detrimental to the interests of its shareholders. Denison has declined to furnish such figures for use in this Proxy Statement. Accordingly, the consolidated statement of income set forth below, as well as other income statements of Denison and pro forma statements of the Amalgamated Company based thereon included in this Proxy Statement, do not include figures for sales or gross operating revenues and cost of goods sold.

CONSOLIDATED STATEMENT OF INCOME OF DENISON MINES LIMITED AND ITS SUBSIDIARIES

For the Five Years and Six Months Ended June 30 1877

The following statement insofar as it relates to the five years ended December 31, 1971 has been examined by Eddis & Associates, independent Chartered Accountants, whose opinion appears elsewhere in this Proxy Statement. The statements for the six months ended June 30, 1971 and 1972 are unaudited; however, all adjustments (consisting only of normal recurring accruals) which, in the opinion of the management of Denison, are necessary for a fair statement of the results for such periods have been included. The following statement should be read in conjunction with the other financial statements of Denison included elsewhere in this Proxy Statement.

	Year ended December 31,				Six months ended June 30,	
	1967	1968	1969	1970	1971	1972
					(Unaudited)	(Unaudited)
Net income before items shown below	\$3,334,090	\$ 5,684,245	\$ 7,142,318	\$ 8,834,985	\$10,758,545	\$4,519,691 \$5,807,037
Revenue from investments	5,272,288	8,106,355	7,045,918	1,270,419	1,125,628	382,685 544,536
	8,606,378	13,790,600	14,188,236	10,105,404	11,884,173	4,902,376 6,351,573
Deduct						
Provision for Ontario mining tax	123,000	167,498	505,000	297,417	235,000	135,000 115,400
Provision for depreciation and depletion	628,024	1,039,083	1,133,718	1,498,071	1,686,239	794,434 920,612
Interest on prior years' income taxes under appeal	357,650	413,350	469,050	469,050	469,050	234,528 234,528
	1,108,674	1,619,931	2,107,768	2,264,538	2,390,289	1,163,962 1,270,540
	7,497,704	12,170,669	12,080,468	7,840,866	9,493,884	3,738,414 5,081,033
Share of net earnings of the unconsolidated subsidiary	610,744	500,203	562,304	292,289	694,413	37,638 78,599
Net income before income taxes	8,108,448	12,670,872	12,642,772	8,133,155	10,188,297	3,776,052 5,159,632
Income taxes — current (Note 5)	1,184,810					1,540,000
Net income for the period	\$6,923,638	\$12,670,872	\$12,642,772	\$ 8,133,155	\$10,188,297	\$3,776,052 \$3,619,632
Net income per share	\$ 1.54	\$ 2.83	\$ 2.83	\$ 1.82	\$ 2.28	\$ 0.84 \$ 0.81

CONSOLIDATED STATEMENT OF EARNINGS OF STANROCK URANIUM MINES LIMITED AND SUBSIDIARY (NOTE 1 — Page 30)

For the Five Years and Six Months Ended June 30, 1972

The following statement insofar as it relates to the five years ended December 31, 1971 has been examined by Harbinson, Glover & Co., independent Chartered Accountants, whose opinion appears elsewhere in this Proxy Statement. The statements for the six months ended June 30, 1971 and 1972 are unaudited; however, all adjustments (consisting only of normal recurring accruals) which, in the opinion of the management of Stanrock, are necessary for a fair statement of the results for such periods have been included. The following statement should be read in conjunction with the other financial statements of Stanrock included elsewhere in this Proxy Statement.

	Year ended December 31,			Six months ended June 30,		
	1967	1968	1969	1970	1971	1972
Sales	\$ 434,898	\$ 512,598	\$ 427,885	\$ 143,641	\$	\$
Expenses:						
Washing and milling expenses	478,482	393,481	407,335	227,373	93,988	46,441
Mine maintenance	151,637	173,839	167,917	147,094	97,346	33,613
Administrative	17,269	21,402	24,725	25,045	16,410	8,000
Depreciation	(35,727)	(45,018)	(23,299)	(23,667)	(12,101)	(6,483)
Interest income, net	(645)		(14,031)	(4,485)	(11,493)	(9,740)
Miscellaneous income						(5,535)
Exploration, acquisition and related expenses	154,840	10,503	17,900	35,855	613	208
Total expenses	765,856	554,207	580,547	407,215	184,763	72,039
Loss before extraordinary items	(330,958)	(41,609)	(152,662)	(263,574)	(184,763)	(72,039)
Extraordinary items:						
Profit on disposal of fixed assets	16,132	383	1,500	1,814	104,938	36,625
Profit from purchase, operation and sale of Fulfillment Division (Note 7 — page 31)						20,984
Write down of inventory						(3,790)
Shutdown costs						
Restoration of plant and mine						
Recovery of pollution control costs						
Net loss for the period	\$ 70,831	(180,313)	(97,434)	(187,887)	128,695	36,625
Per share:						20,984
Loss before extraordinary items	\$ (.05)	\$ (.01)	\$ (.02)	\$ (.04)	\$ (.03)	\$ (.01)
Extraordinary items01	(.03)	(.02)	(.03)	.02	
Net loss	\$ (.04)	\$ (.04)	\$ (.04)	\$ (.07)	\$ (.01)	\$ (.01)

The notes to the Stanrock consolidated financial statements, included elsewhere in this Proxy Statement, are an integral part of this financial statement.

In determining the net income per share, the net income was divided by the weighted average number of Stanrock shares outstanding during each period, which weighted average numbers are: 1967 — 5,867,798, 1968 — 6,479,115, 1969 — 6,537,607, 1970 and subsequent periods — 6,546,323.

DENISON MINES LIMITED
and its Subsidiaries

and

STANROCK URANIUM MINES LIMITED
and its Subsidiary

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
(Unaudited)

The following unaudited statement gives effect to the proposed amalgamation of Denison and Stanrock, as outlined in Note (a) to the pro forma combined condensed balance sheet, by combining the consolidated results of operations of the two companies for the five years ended December 31, 1971 and the six-month periods ended June 30, 1971 and June 30, 1972 on a pooling of interests basis. This pro forma statement should be read in conjunction with the other financial statements and notes thereto appearing elsewhere in this Proxy Statement.

	Year ended December 31,			Six months ended June 30,	
	1967	1968	1969	1970	1971
Net income before items shown below	\$3,000,806	\$ 5,619,403	\$ 6,992,582	\$ 8,574,603	\$10,706,786
Revenue from investments	5,308,015	8,151,373	7,069,217	1,294,086	1,137,729
Share of net earnings of the unconsolidated subsidiary	610,744	500,203	562,304	292,289	694,413
Depreciation, depletion, mining tax and interest on prior years' income tax	1,125,943	1,641,333	2,132,493	2,289,583	2,406,699
Income taxes	1,184,810				
Income before extraordinary items	2,310,753	1,641,333	2,132,493	2,289,583	2,406,699
Extraordinary items, net	6,608,812	12,629,646	12,491,610	7,871,395	10,132,229
Pro forma net income	(\$54,699)	180,696	98,934	189,701	
Net income per share:					
Income before extraordinary items	\$1.45	\$2.77	\$2.73	\$1.72	\$2.22
Extraordinary items	(.01)	.04	.02	.04	
Pro forma net income	\$1.46	\$2.73	\$2.71	\$1.68	\$2.22

Note — In determining the net income per share, the net income was divided by the number of shares of Denison outstanding throughout the period to which was added one-seventieth of the weighted average number (less 63 shares) of shares of Stanrock outstanding during each period, resulting in aggregates as follows: 1967 — 4,558,528, 1968 — 4,567,261, 1969 — 4,568,096, 1970 and subsequent periods — 4,568,221.	\$.82	\$.78
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DENISON MINES LIMITED

and its Subsidiaries

and

STANROCK URANIUM MINES LIMITED

and its Subsidiary

PRO FORMA COMBINED CONDENSED BALANCE SHEET**June 30, 1972**

(Unaudited)

The following pro forma combined condensed balance sheet gives effect to the proposed amalgamation of Denison and Stanrock, as outlined in Note (a) below, by combining the consolidated balance sheets of the two companies at June 30, 1972 on a pooling of interests basis. The pro forma balance sheet should be read in conjunction with the other financial statements and notes thereto included elsewhere in this Proxy Statement.

	<u>Denison</u>	<u>Stanrock</u>	<u>Pro forma Combined</u>
ASSETS			
Total current assets	\$14,665,028	\$ 329,767	\$14,994,795
Investment in other companies	25,888,743		25,888,743
Mortgages and other secured loans	1,753,951		1,753,951
Investment in unconsolidated subsidiary	11,956,136		11,956,136
Concentrates held for sale	18,010,103		18,010,103
Property, plant and equipment	77,783,310	14,809,660	92,592,970
Accumulated depreciation and depletion	(52,266,829)	(14,154,481)	(66,421,310)
	<u>\$97,790,442</u>	<u>\$ 984,946</u>	<u>\$98,775,388</u>
LIABILITIES			
Total current liabilities	\$15,058,236	\$ 96,076	\$15,154,312
Advances on concentrate sales contracts	8,344,872		8,344,872
Income tax re-assessments under appeal	11,071,628		11,071,628
	<u>34,474,736</u>	<u>96,076</u>	<u>34,570,812</u>
SHAREHOLDERS' EQUITY			
Shares (pro forma combined — 4,568,221 shares)	4,474,703	6,546,323	4,568,221
Contributed surplus	3,590,132		7,937,764
Discount on shares		(2,105,173)	
Retained earnings (deficit)	55,250,871	(3,552,280)	51,698,591
	<u>63,315,706</u>	<u>888,870</u>	<u>64,204,576</u>
	<u>\$97,790,442</u>	<u>\$ 984,946</u>	<u>\$98,775,388</u>

Note (a) — The above pro forma balance sheet gives effect to the Amalgamation Agreement whereby Stanrock will amend its Articles of Incorporation (to cancel 63 outstanding shares, change its shares into shares without par value and consolidate its shares on the basis that each 70 issued shares shall become 1 share), whereafter each then-outstanding share of that company and each outstanding share of Denison will be converted on a one-for-one basis into shares of the Amalgamated Company.

CAPITALIZATION

The capitalization of Denison and Stanrock and the pro forma combined capitalization on consummation of the proposed amalgamation, as outlined in Note (a) to the pro forma combined condensed balance sheet (contained elsewhere in this Proxy Statement), are set forth below:

	June 30, 1972		Pro Forma Adjustments	Pro Forma Combined
	Denison	Stanrock		
SHORT TERM BORROWINGS				
Operating bank loan at prime bank interest rates	<u>\$ 8,100,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,100,000</u>

SHAREHOLDERS' EQUITY

Shares of \$1 par value each						
Denison						
Authorized — 6,000,000 shares						
Issued — 4,474,703 shares ..	<u>\$ 4,474,703</u>	<u>\$ —</u>	<u>\$ (4,474,703)</u>	<u>\$ —</u>		
Stanrock						
Authorized — 10,000,000 shares						
Issued — 6,546,323 shares ..	<u>—</u>	<u>6,546,323</u>	<u>(6,546,323)</u>	<u>—</u>		
Amalgamated Company						
Authorized — 6,000,000 shares						
Issued — 4,568,221 shares ..	<u>—</u>	<u>—</u>	<u>4,568,221</u>	<u>4,568,221</u>		
Contributed surplus (discount on shares)	<u>3,590,132</u>	<u>(2,105,173)</u>	<u>6,452,805</u>	<u>7,937,764</u>		
Retained earnings (deficit)	<u>55,250,871</u>	<u>(3,552,280)</u>	<u>—</u>	<u>51,698,591</u>		
Total shareholders' equity	<u>\$63,315,706</u>	<u>\$ 888,870</u>	<u>\$ —</u>	<u>\$64,204,576</u>		
Total capitalization	<u>\$71,415,706</u>	<u>\$ 888,870</u>	<u>\$ —</u>	<u>\$72,304,576</u>		

COMPARATIVE CONSOLIDATED PER SHARE DATA

	Year ended December 31,					Six months ended June 30,	
	1967	1968	1969	1970	1971	1971	1972
NET INCOME							
Before amalgamation (historical basis) (a)							
Denison							
Net income	<u>\$ 1.54</u>	<u>\$ 2.83</u>	<u>\$ 2.83</u>	<u>\$ 1.82</u>	<u>\$ 2.28</u>	<u>\$.84</u>	<u>\$.81</u>
Stanrock							
Loss before extraordinary items ...	<u>\$ (.05)</u>	<u>\$ (.01)</u>	<u>\$ (.02)</u>	<u>\$ (.04)</u>	<u>\$ (.03)</u>	<u>\$ (.01)</u>	<u>\$ (.01)</u>
Extraordinary items	<u>.01</u>	<u>(.03)</u>	<u>(.02)</u>	<u>(.03)</u>	<u>.02</u>	<u>—</u>	<u>—</u>
Net loss	<u>\$ (.04)</u>	<u>\$ (.04)</u>	<u>\$ (.04)</u>	<u>\$ (.07)</u>	<u>\$ (.01)</u>	<u>\$ (.01)</u>	<u>\$ (.01)</u>
Pro forma — after amalgamation (b)							
Denison							
Income before extraordinary items ..	<u>\$ 1.45</u>	<u>\$ 2.77</u>	<u>\$ 2.73</u>	<u>\$ 1.72</u>	<u>\$ 2.22</u>	<u>\$.82</u>	<u>\$.78</u>
Extraordinary items	<u>(.01)</u>	<u>.04</u>	<u>.02</u>	<u>.04</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>\$ 1.46</u>	<u>\$ 2.73</u>	<u>\$ 2.71</u>	<u>\$ 1.68</u>	<u>\$ 2.22</u>	<u>\$.82</u>	<u>\$.78</u>
Stanrock (on basis of 1/70 of a share of Denison)							
Net income	<u>\$.02</u>	<u>\$.04</u>	<u>\$.04</u>	<u>\$.02</u>	<u>\$.03</u>	<u>\$.01</u>	<u>\$.01</u>
DIVIDENDS (c)							
Denison — historical	<u>\$ 1.05</u>	<u>\$ 1.40</u>	<u>\$ 1.40</u>	<u>\$ 1.40</u>	<u>\$ 1.40</u>	<u>\$.70</u>	<u>\$.70</u>

(a) Net income per share for Stanrock on an historical basis is calculated on the basis set out in the notes to the consolidated statement of earnings of Stanrock appearing elsewhere in this Proxy Statement. The number of outstanding shares of Denison remained constant throughout the period.

- (b) Net income per share on a pro forma combined basis, after the amalgamation, is calculated on the basis set out in the note to the pro forma combined condensed statement of income appearing elsewhere in this Proxy Statement.
- (c) Denison has paid cash dividends on its shares for each of the past 10 years. No dividends have been paid on shares of Stanrock.

BOOK VALUE

The following tabulation, which sets forth the historical book value per share of Denison and Stanrock as at June 30, 1972 and the book values per share on a pro forma combined basis, should be read in conjunction with the historical consolidated balance sheets of Denison and Stanrock as at June 30, 1972 and the pro forma combined condensed balance sheet of the Amalgamated Company appearing elsewhere in this Proxy Statement.

	Denison Shares	Stanrock Shares
Historical book value, June 30, 1972	<u>\$14.15</u>	<u>\$.14</u>
Pro forma combined, June 30, 1972, after giving effect to the amalgamation	<u>\$14.05</u>	<u>\$.20</u> (a)

(a) On the basis of 1/70 of a share of Denison.

MARKET PRICES OF SECURITIES

The Denison shares are listed on the Toronto and Montreal Stock Exchanges. The Stanrock shares are listed on The Toronto Stock Exchange.

The following table sets forth the high and low per share prices of the Denison and Stanrock shares on The Toronto Stock Exchange (as reported by said Exchange) for the periods indicated. Also set forth are the closing per share prices for such shares on The Toronto Stock Exchange on December 22, 1971, the Valuation Day for purposes of Canadian tax on capital gains, and comparable information for June 20, 1972, the trading date prior to the date that the amalgamation proposal was first publicly announced, and on December 11, 1972.

	Denison			Stanrock		
	High	Low	Close	High	Low	Close
1970 (Quarter ending December 31)	26	20-4/8		1.40	52¢	
1971 (Quarter ending March 31)	30-4/8	23-4/8		95¢	55¢	
(Quarter ending June 30)	32	25		1.50	65¢	
(Quarter ending September 30)	27-4/8	22		80¢	45¢	
(December 22)			24-4/8			60¢
(Quarter ending December 31)	25-7/8	18-2/8		60¢	25¢	
1972 (Quarter ending March 31)	36-2/8	25-4/8		51¢	37¢	
(June 20)			32-2/8	No trades — bid 46¢ asked 48¢		
(Quarter ending June 30)	36-5/8	30-4/8		62¢	45¢	
(Quarter ending September 30)	35	29		45¢	36¢	
(Period from October 1 to December 11)	30	26		42¢	32¢	
(December 11)			26-4/8			32¢

BUSINESS AND PROPERTIES OF DENISON

Denison is a corporation organized under the laws of the Province of Ontario, which resulted from the amalgamation in 1960 of Consolidated Denison Mines Limited and Can-Met Explorations Limited. It is primarily engaged in the production of uranium concentrates and oil and gas in Canada. In addition, it engages in mineral exploration activities throughout the world and holds investments in a number of mining and industrial companies, including a majority interest in Lake Ontario Cement Limited, a manufacturer of cement and cement products.

Uranium Operations

Mining and Milling

Denison's uranium mine is located in the Elliot Lake area in Ontario about 10 miles north of Lake Huron and midway between the cities of Sudbury and Sault Ste. Marie. It is located on approximately 4,800 acres. The ore body of the mine which is mined by underground mining techniques varies between 5 and 32 feet in thickness and lies from 550 feet to 3,000 feet from the surface. The mine has two principal shafts, one for personnel, equipment and supplies and the other for ore removal, and other shafts for ventilation purposes. To fulfill its present contracts for the sale of uranium oxide over the period 1972 to 1983 Denison expects to mine 25,735,000 tons of ore at an average grade of approximately 2.29 lbs. of uranium per ton. In addition to this ore Denison has substantial deposits of generally lower grade material, the mining of which will be dependent upon future economic conditions affecting production costs, marketing prices and demand, which cannot be predicted.

The property is equipped with complete mining and milling facilities. The original design capacity of the milling facilities was 6,000 tons of ore per day. By the mid 1960's a part of the plant at Elliot Lake was obsolete and because of low demand for uranium oxide a new leaching circuit installed at that time had a design capacity of only 3,460 tons of ore per day. This circuit is, however, presently treating approximately 4,400 tons of ore per day. Design engineering is presently under way with a view to increasing the milling capacity to 7,100 tons of ore per day which is required to enable Denison to meet its sales contracts. The following table sets forth information with regard to the tons of uranium ore milled, its average grade and the number of pounds of uranium oxide produced during each of the last 5 years.

Year	Tons Milled	Average Grade	Pounds of Uranium Oxide Produced
1967	1,220,000	3.07	3,549,000
1968	1,316,000	3.07	3,843,000
1969	1,237,000	3.43	4,003,000
1970	1,178,000	3.15	3,628,000
1971	1,387,000	3.20	4,256,000
June 30, 1972 (six months)	765,000	3.04	2,208,000

The end product of this mill is uranium oxide which must, prior to its use in most nuclear reactors, be enriched. Denison does not have facilities for such enrichment.

Denison employs approximately 770 persons in the mining and milling of uranium oxide of whom about 635 are represented by unions. A major union contract will expire on December 31, 1972. Denison considers that its labour relations have always been good.

Marketing

The worldwide market for uranium is highly competitive. Factors bearing on the market include the rate at which nuclear power reactors will be constructed, government policies in respect to the sale of substantial government stockpiles of uranium, government regulation of the purchase and sale of uranium and the rate at which new deposits of low-cost uranium may be discovered. The United States Atomic Energy Commission, through its jurisdiction over enrichment facilities in the United States, requires, in effect, that all nuclear power reactors constructed in the United States use only uranium produced from mines in that country. In addition, the Canadian Government requires that countries to which exports of uranium oxide are made comply with Canadian regulations as to the end use of that product for peaceful purposes and appropriate safeguards to ensure such use must be arranged through bilateral agreements.

Denison sells most of its uranium oxide under long-term commitments. Among these are commitments with a group of eight Japanese power companies to supply them with a total of 49,500,000 pounds of uranium oxide from 1972 to 1983 inclusive. These power companies have the option to purchase further uranium oxide which it is anticipated will be within the capability of Denison to deliver without increasing the milling capacity beyond that referred to above.

In addition to the foregoing commitments, Denison received letters of intent to sell more than 11 million pounds of uranium oxide to other power companies. Delivery under these arrangements is expected to be made during the years 1972-1981. Formal agreements with respect to approximately 9 million pounds of such sales have been completed. These sales will completely dispose of the 6,467,000 pounds of uranium oxide to be produced during the period ending December 31, 1974 under the joint stockpiling program with the Canadian Government. Because of coincidental negotiations with the power companies and in the mutual interest of Denison and the Canadian Government, the remaining quantities will be supplied from the Government stockpile and do not represent sales by Denison.

Oil and Gas Operations

Since 1961, Denison has engaged in the exploration for, and the development and production of, oil and natural gas. The following chart sets forth the volume of such production and the income generated thereby from 1967 through 1971:

Net Production

Year	Oil Production (1000 bbls.)	Natural Gas Production (million c.f.)	Income (net before depletion* and depreciation) (000)
1967	779	344	\$ 1,884
1968	788	404	1,827
1969	786	395	1,802
1970	1,024	778	2,451
1971	1,321	936	3,369
June 30, 1972 (six months)	763	765	1,961

* See Note 4 to Consolidated Financial Statements of Denison (page 23).

The producing oil and gas properties are all located in Alberta, and include interests in the Judy West, Swan Hills, Mitsue and Pembina Fields. Working interests are currently held in 18 units and in 4 producing leases in other areas of Alberta. Denison, in association with others, is the holder of a production licence in the United Kingdom sector of the North Sea and has applied to the Government of Spain for a number of offshore oil concessions.

As at June 30, 1972 the estimated proven net crude oil reserves of Denison were 26,799,000 barrels. As at the same date the estimated natural gas reserves of Denison were 35.81 billion cubic feet. The estimate of such reserves was made by Mitchell & Associates Ltd., Consulting Engineers, of Edmonton, Alberta.

Exploration

Denison is actively engaged in exploration for uranium and other minerals. Such exploration is conducted not only by it alone, but also through joint ventures with outside interests or in projects with associated companies and through investments in other companies doing exploration work. Exploration offices are maintained at Toronto, Vancouver and Denver.

Among projects currently underway are: Investigation of a group of claims staked for gold and silver in the Toodoggone River area of British Columbia; and exploration for uranium in Australia under a joint venture with Canadian Johns-Manville Company Limited, Pato Consolidated Gold Dredging Limited and Mitsui & Co., Ltd. Denison cannot predict whether uranium or other metals in commercially exploitable quantities will be found as a result of any of these projects.

Coal Operations

Denison created a coal division in late 1968. At present, Denison has approximately 334 square miles under coal licences in British Columbia in three separate areas. Extensive exploration for coking coal has been carried out over the past two years, principally on one of these properties. The exploration program on this property, covered by a joint venture agreement, has been completed with the expenditure of approximately \$2,200,000. A consultant has prepared a mining plan for this property. While substantial coal deposits have been discovered, the report suggests some further mining tests prior to a major commitment. It has been decided, however, that before any further expenditures are made at this property, a market survey will be carried out to relate current prices to estimated production costs. In addition to the foregoing, Denison holds coal leases covering approximately 44 square miles in two areas in Alberta. Exploration work to date indicates sizeable quantities of coking coal on one property and thermal coal on the other. At present, none of the known coal deposits have been determined to be commercially mineable and Denison is unable to predict when or whether any of such properties will be mined or that any such mining will be profitable.

Lake Ontario Cement and Other Investments

Denison holds approximately 54% of the outstanding stock of Lake Ontario Cement Limited ("Lake Ontario"). Lake Ontario owns and operates, near Picton, Ontario, a Portland cement manufacturing plant. It also produces, directly and through subsidiaries, cement products. Lake Ontario employs approximately 525 persons of whom approximately 345 are represented by unions.

Lake Ontario owns land in the Picton area containing substantial deposits of limestone, which is the principal ingredient of cement, and the plant is situated within the perimeters of these limestone lands. The reserves of limestone are contained in a single uninterrupted geological structure. The estimated reserves

approximate 200,000,000 tons which at the current plant capacity of approximately 750,000 tons of cement per annum is sufficient to last well over 100 years.

Lake Ontario's Picton plant includes a dry process Portland cement manufacturing plant and grinding mills to grind the output of the kilns as well as bulk storage, bagging, loading, receiving and docking facilities and a railroad spur.

Cement storage facilities at Toronto and Windsor, Ontario and Rochester, New York are located on deep water and accordingly shipments to these storage facilities and distribution points are normally made via lake vessel. Shipments to Rome and Ithaca, New York are made by canal boat, via Lake Ontario and the New York State Barge Canal. Storage facilities total approximately 64,000 tons in New York State and approximately 51,000 tons in Ontario.

Denison holds a 47% interest in Standard Trust Company, a trust company which was incorporated under a Canadian federal charter in 1963 and commenced active operations in mid-1969. Denison also holds a 36.8% interest in Pacific Tin Consolidated Corporation. Pacific Tin conducts tin dredging operations in Malaysia and feldspar operations in the United States. In addition Denison holds an approximate 8.3% interest in International Mogul Mines Limited. International Mogul Mines Limited owns a 75% interest in Mogul of Ireland Limited, a lead and zinc mine operation, as well as varying interests in a number of companies carrying on mineral and oil exploration activities in Canada, Australia and Ireland and real estate operations in the Bahamas.

Denison has a 49% ownership in Reiss Lime Company of Canada, Limited, which operates a plant on the north shore of Lake Huron near Sprague, Ontario supplying industrial lime to mining and other industries in northern Ontario.

Denison holds an investment of \$2,735,000 principal amount of debentures and 32% of the stock of Black Hawk Mining Ltd. The zinc-copper mine of Black Hawk near Blue Hill, Maine (held by a subsidiary) has come into production and milling was commenced on October 4, 1972. Kerramerican, Inc. has, as a result of bringing the properties into production, acquired a 60% interest in the properties and operations of the subsidiary, the other 40% being retained by the subsidiary of Black Hawk. It is expected that the planned production rate of 1,000 tons of ore per day will be achieved early in 1973.

None of the foregoing investments (other than Denison's investment in Lake Ontario) accounts for 10% or more of Denison's consolidated assets or Denison's consolidated sales or revenues or Denison's consolidated net income; therefore Denison does not consider any of such investments to be material.

PRINCIPAL SHAREHOLDERS OF DENISON

To the knowledge of the management of Denison, the following are at the date hereof the only beneficial owners, directly or indirectly, of shares of Denison carrying more than 10% of the voting rights attached to all shares of Denison:

Name of Shareholder	Approximate number of shares owned of record and beneficially	Percentage of Voting Rights
Roman Corporation Limited	1,160,505	25.93
Madison Fund, Inc.	461,700	10.32

Roman Corporation Limited is a mineral exploration company, the shares of which are listed on The Toronto Stock Exchange. Mr. Roman, the Chairman and a director of Denison, is an officer, director and shareholder of Roman Corporation Limited and he directly or indirectly is in a position to control Roman Corporation Limited.

MANAGEMENT OF DENISON

During the year 1971 the aggregate direct remuneration paid or payable by Denison and its subsidiaries whose financial statements are consolidated with those of Denison to the directors and senior officers of Denison was \$379,502. The aggregate direct remuneration paid or payable during the said year to the directors and senior officers of Denison by Lake Ontario and its subsidiaries, the financial statements of which are not consolidated with those of Denison, was \$6,175.

The estimated aggregate cost to Denison and its subsidiaries in the year ended December 31, 1971 of all pension benefits proposed to be paid under the pension plans of Denison and its subsidiaries in the event of retirement at normal retirement age, directly or indirectly, by Denison or any of its subsidiaries to the directors and senior officers of Denison was \$21,607.

LEGAL PROCEEDINGS

Reference is made to notes 5 and 6 to the financial statements of Denison concerning pending tax and other litigation.

BUSINESS AND PROPERTIES OF STANROCK

Stanrock was incorporated under the laws of the Province of Ontario, Canada in March, 1956. Its principal office is located at 80 Richmond Street West, Toronto 1, Ontario, Canada. It holds uranium properties and owns uranium mining and milling facilities in the Elliot Lake uranium mining area, Ontario, Canada. Such facilities are presently inactive.

Stanrock's holdings are comprised of 160 mining claims (approximately 6,000 acres) held directly by Stanrock and 31 additional mining claims (approximately 1,200 acres) held by Stanatomic Uranium Mines Limited, in which Stanrock has a 69.5% interest.

Stanrock's main property in the area ("Quirke Lake property") is comprised of a group of 22 claims (approximately 600 acres) on which it holds leases. In the mid-1950's, a significant deposit of uranium was discovered on this property.

In 1956, 1957 and 1958, Stanrock carried out a construction and development program on the property, pursuant to which two shafts, one about 2,900 and the other about 3,600 feet deep, were sunk and equipped. A milling plant, with a capacity of 3,000 tons per day, and related mining and milling facilities were constructed. Between March, 1958 and October, 1964, Stanrock carried out its mining operations using conventional methods. Between October, 1964 and May, 1970 Stanrock produced U₃O₈ solely by a method called "bacterial leaching". Stanrock changed from conventional mining to bacterial leaching, primarily because of increasing labor costs, in the second half of 1964. It appeared that the increasing costs would make it unprofitable for Stanrock to continue to produce by conventional mining.

In May, 1970, Stanrock ceased production and shut down its facilities when it became unable to obtain contracts for the sale of U₃O₈ which would permit it to operate profitably.

When Stanrock ceased conventional underground mining in late 1964, it commenced selling items of plant and equipment. As of June 30, 1972, Stanrock had realized net proceeds after allocable costs from sales of items of plant and equipment of approximately \$885,000.

Stanrock estimates that its Quirke Lake property presently contains a deposit of 15,000,000 pounds of U₃O₈ in material of a grade averaging approximately 1.5 pounds per ton. The basis for this estimate is information obtained from prior mining operations in the mine and related exploratory drilling. This tonnage is not now considered to be a commercial ore reserve since Stanrock cannot presently produce U₃O₈ therefrom at sales prices obtainable at the present time. The deposit is of appreciably lower U₃O₈ content than those of its presently producing competitors. Mining operations and exploratory drilling on the Quirke Lake property have indicated the presence of additional mineralized material not included in the tonnage estimate stated above and further work will be required to establish the extent and grade of such material. If conditions become such as to warrant a resumption of conventional mining operations, portions of Stanrock's deposits will require special mining methods because of their remoteness from areas where its principal deposits are located, or their proximity to areas where poor ground conditions have been encountered or are likely to be encountered.

Stanrock presently employs two employees at its mine and mill site.

From time to time, exploration activities have been conducted on Stanrock's properties other than the Quirke Lake property. No other deposits of uranium bearing material of consequence have been discovered.

Stanrock has undepreciated capital costs of depreciable property in the amount of approximately \$18,400,000 which may be deducted from income for Canadian tax purposes at the rates prescribed by law and subject to prescribed conditions. Under present Canadian income tax law this amount will be included in the undepreciated capital cost of depreciable property of the Amalgamated Company. No application of any capital cost allowance with respect to these undepreciated capital costs has been made in the financial data or statements in this Proxy Statement which are presented on an historical basis only.

Stanrock has exploration, prospecting and development costs of approximately \$200,000 available for carry forward to reduce taxable incomes of future periods. These costs will be available to the Amalgamated Company to reduce income from properties now owned by Stanrock.

PRINCIPAL SHAREHOLDERS OF STANROCK

To the knowledge of the management of Stanrock, there is no beneficial owner, directly or indirectly, of shares of Stanrock carrying more than 10% of the voting rights attached to all shares of Stanrock.

MANAGEMENT OF STANROCK

Stanrock did not pay any officer or director aggregate direct remuneration in 1971 in excess of \$30,000 per year. Stanrock paid all of its officers and directors as a group (10 persons), \$30,500 on an accrual basis as direct remuneration for services in all capacities during that year. Options previously granted to certain of the officers and key employees of Stanrock will expire upon the amalgamation of the two companies.

MANAGEMENT OF AMALGAMATED COMPANY

The names of the persons who will be the directors of the Amalgamated Company, their present positions with Denison or Stanrock, the periods during which they served as directors of Denison or Stanrock, their principal occupations (for the past 5 years except as indicated below) and the approximate number of Denison or Stanrock shares beneficially owned by them, directly or indirectly, are as follows:

<u>Name</u>	<u>Position</u>	<u>Denison or Stanrock since</u>	<u>Principal Occupation</u>	<u>Denison shares beneficially owned as of December 27, 1972</u>	<u>Stanrock shares beneficially owned as of December 27, 1972</u>
Donald Sutherland Anderson	Director	Denison Feb. 11, 1972	Chairman and Chief Executive Officer, Metro Centre Developments Limited (Real Estate Development)	500	None
Charles Fowler Williams Burns	Director	Denison Jan. 12, 1967	Chairman, Burns Bros. and Denton Limited (Investment Dealers)	17,114	None
Mario Joseph deBastiani	Director and Vice-President, Uranium Operations	Denison Aug. 13, 1971	Vice-President, Uranium Operations, Denison Mines Limited	100	None
Honourable George Alexander Drew	Director	Denison Jan. 10, 1964	Barrister (Retired)	3,000	None
Frederick Hurdman Jowsey	Director	Denison Mar. 24, 1960	Senior Mining Analyst, Dominion Securities Corporation Limited (Investment Dealers)	1,045	None
John Kostuik	Director and President	Denison Jan. 25, 1963	President, Denison Mines Limited	4,400	None
Edward Bruce McConkey	Director, Vice-President, Finance and Treasurer	Denison Jan. 30, 1967	Vice-President, Finance and Treasurer, Denison Mines Limited	750	None
Honourable Alexander Hamilton McDonald	Director	Denison Feb. 12, 1971	Farmer and Business Executive	30	None
Edward Arroll Merkle	Director	Denison Jan. 30, 1968	President, Madison Fund, Inc. (Closed End Investment Trust)	100	None
John Albert Mullin, Q.C.	Director	Denison Apr. 17, 1970	Partner, Fraser & Beatty, Barristers and Solicitors	200	None

<u>Name</u>	<u>Position</u>	<u>Denison or Stanrock since</u>	<u>Principal Occupation</u>	<u>Stanrock shares beneficially owned as of December 27, 1972</u>	<u>Denison shares beneficially owned as of December 27, 1972</u>
John Charles Puhky	Director and Secretary	Denison Mar. 24, 1960 to Apr. 20, 1961 and since June 28, 1963	Secretary, Denison Mines Limited	39,186	None
Stephen Boleslav Roman	Director and Chairman of the Board	Denison Mar. 24, 1960	Chairman of the Board, Denison Mines Limited	181,036	None
George Rowe, Jr.	Director and President	Stanrock Nov. 11, 1962	Partner, Fulton, Walter & Duncombe, Attorneys	None	52,075
Harry Sutherland	Director	Denison Dec. 19, 1972	Partner, Fraser & Beatty, Barristers and Solicitors	None	None
Bertram Elmore Willoughby	Director	Denison Mar. 24, 1960	President, Gibson Willoughby Limited (Real Estate Brokers)	10,450	None

The principal occupation of the directors has remained unchanged for the past five years except as follows:

Mr. Anderson from June 1, 1964 to April 6, 1970 was a Vice-President of The Royal Bank of Canada and from April 6, 1970 to September 1, 1971 was Senior Vice-President of that Bank. He assumed his present position on September 1, 1971.

Mr. deBastiani was the Mine Manager of the Company at Elliot Lake from 1959 until he assumed his present position on December 17, 1970.

Mr. Jowsey was retired from 1967 until he assumed his present position on February 11, 1970.

In addition to the foregoing officers, Mr. Walter J. Riva, Vice-President, Coal Operations, of Denison, will hold the same position with the Amalgamated Company.

DESCRIPTION OF AMALGAMATED COMPANY

The authorized capital of the Amalgamated Company will be \$6,000,000 divided into 6,000,000 shares with a par value of \$1 each. Each shareholder will be entitled to one vote in respect of each share held at all annual and general meetings of shareholders of the Amalgamated Company. The shares of the Amalgamated Company will not have cumulative voting rights. The holders of such shares will have no pre-emptive rights to subscribe for or purchase or receive any additional shares, options, debentures or other securities of the Amalgamated Company. The holders of shares in the Amalgamated Company will be entitled to receive such dividends as may be declared by the Board of Directors at any time or from time to time and in the event of the liquidation of the Amalgamated Company the holders of shares thereof will be entitled to share rateably in the assets of the Amalgamated Company available for distribution. Reference is also made to the sub-heading "Fractional shares" under the heading "The Proposed Amalgamation".

Shares of the Amalgamated Company issued upon the amalgamation will be fully paid and non-assessable.

Following the amalgamation, the Amalgamated Company will comply with all requirements of Ontario securities laws and of the stock exchanges on which its shares may be listed. However, it will take the same position which Denison has taken with respect to the application of Section 12 of the United States Securities Exchange Act of 1934 to it, namely, that the Amalgamated Company is not so subject. The Amalgamated Company does not intend to file reports with the Securities and Exchange Commission under Sections 13 or 15 of the Securities Exchange Act of 1934 nor is it intended that any solicitation of proxies by it will be made in accordance with the provisions of Section 14 of said Act.

AUDITORS

It is intended that the auditors of the Amalgamated Company will be the firm of Eddis & Associates, Chartered Accountants, who are the present auditors of Denison.

GENERAL

The accompanying proxy is solicited by or on behalf of the management of the company whose notice of meeting is attached to this Proxy Statement and the entire cost of such solicitation will be borne by that company. In addition to the use of the mails, proxies may be solicited by personal interviews, telephone or telegraph by directors and officers and employees of such company. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares held of record by such persons, and Denison and Stanrock may reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith.

In addition Stanrock has retained George Squires & Co., Inc. of New York, New York to aid in the solicitation of proxies. Payments to that firm for services and expenses are not expected to exceed \$7,500.

There is enclosed herewith a form of proxy for use in connection with the respective meetings. The instrument appointing a proxy must be in writing and must be dated and executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. ANY SHAREHOLDER SUBMITTING A PROXY HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY CONCERNED) TO REPRESENT HIM OR IT AT THE MEETING OTHER THAN THE PERSON OR PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY DENISON OR STANROCK. TO EXERCISE THIS RIGHT THE SHAREHOLDER SHOULD INSERT THE NAME OF THE DESIRED REPRESENTATIVE IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES OR HE MAY SUBMIT ANOTHER APPROPRIATE PROXY.

The shares represented by the proxy will be voted and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will, subject to section 121 of The Business Corporations Act (Ontario), be voted in accordance with the specifications so made. The said section 121 provides as follows:

“The chairman at a meeting has the right not to conduct a vote by way of ballot on any matter or group of matters in connection with which the form of proxy has provided a means whereby the person whose proxy is solicited may specify how such person wishes the shares registered in his name to be voted unless,

(a) a poll is demanded by any shareholder present at the meeting in person or represented thereat by proxy; or

(b) proxies requiring that the shares represented thereby be voted against what would otherwise be the decision of the meeting in relation to such matters or group of matters total more than 5 per cent of all the voting rights attaching to all the shares entitled to be voted and be represented at the meetings.”

Voting at both the Stanrock meeting and the Denison meeting will be conducted by ballot.

IF NO SPECIFICATION IS MADE IN THE PROXY WITH RESPECT TO A RESOLUTION SET FORTH THEREIN, THE PROXY WILL BE VOTED IN FAVOUR OF SUCH RESOLUTION.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 116(4) of The Business Corporations Act (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of a company at any time up to and including the last business day preceding the day of the general meeting or with the Chairman of such meeting.

The managements of Denison and Stanrock have no information that other matters will be brought before the meetings. If, however, other matters are presented, the accompanying proxy will be voted in accordance with the best judgment of the person or persons voting the proxy.

All information contained herein relative to Denison and Stanrock and to their respective officers and directors has been furnished by Denison and Stanrock, respectively, for inclusion in this Proxy Statement.

Except as otherwise herein specified the effective date of the information contained herein is December 27, 1972.

DATED at Toronto, Canada, December 27, 1972.

OPINION OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Directors of
Denison Mines Limited:

We have examined the consolidated balance sheet of Denison Mines Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income (page 6 of this Proxy Statement), retained earnings and source and application of funds for the five years then ended. Our examination of the financial statements of Denison Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

As outlined in Note 2, the adjustment of \$15,651,278 resulting from a change in the basis of valuation of marketable securities in 1970 was charged to retained earnings instead of being charged against the net income for that year.

In our opinion, except that no provision has been made for deferred income taxes (see Note 5(b)), these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and, except for the significant effect on net income and retained earnings for the 1970 year of the matter referred to in the preceding paragraph, the results of their operations and the source and application of their funds for the five years then ended, in accordance with generally accepted accounting principles. Further, in our opinion, except for the change in the basis of valuation of marketable securities (with which we concur), such accounting principles have been applied on a consistent basis throughout the period.

Toronto, Canada,
January 13, 1972.

EDDIS & ASSOCIATES,
Chartered Accountants.

DENISON MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1971 AND JUNE 30, 1972

ASSETS

	December 31, 1971	June 30, 1972
Current Assets		(Unaudited)
Cash	\$ 228,416	\$ 212,808
Marketable securities — at market which is lower than cost (Note 2)	8,825,602	8,979,167
Accounts receivable including concentrate settlements	3,476,758	4,111,187
Supplies and prepaid expenses	1,264,340	1,311,866
Mortgages and other secured loans	75,000	50,000
	<u>13,870,116</u>	<u>14,665,028</u>
Investment in Other Companies — at or below cost		
Shares — including shares carried at \$21,054,302 with a quoted market value of \$12,357,765 (1972, \$20,547,227 and \$13,478,829 respectively)	22,701,347	22,254,270
Bonds and debentures (Note 3)	4,240,433	3,634,473
	<u>26,941,780</u>	<u>25,888,743</u>
Mortgages and Other Secured Loans, not including amount shown above	1,920,601	1,753,951
Investment in Unconsolidated Subsidiary — Lake Ontario Cement Limited —		
Shares — costing \$6,341,298 with a quoted market value of \$6,120,190 (1972, \$6,341,298 and \$7,543,400 respectively) (Note 1)	11,877,537	11,956,136
Concentrates Held for Sale — at cost	<u>16,293,123</u>	<u>18,010,103</u>
Property, Plant and Equipment — at cost less accumulated depreciation and depletion of \$51,398,986 (1972, \$52,266,829) (Note 4)	25,394,167	25,516,481
	<u>\$96,297,324</u>	<u>\$97,790,442</u>

LIABILITIES

Current Liabilities		
Bank loan — secured	\$ 9,650,000	\$ 8,100,000
Accounts payable and accrued charges	2,986,573	3,056,712
Dividends payable	343,364	166,061
Income taxes payable	—	1,540,000
Provision for Ontario mining tax	235,000	195,463
Current portion of advances on concentrate sales contracts	2,000,000	2,000,000
	<u>15,214,937</u>	<u>15,058,236</u>
Advances on Concentrate Sales Contracts	7,416,921	8,344,872
Income Tax Re-assessments under Appeal (Note 5(a))	<u>10,837,100</u>	<u>11,071,628</u>
Shareholders' Equity		
Capital stock		
Authorized:		
6,000,000 shares of \$1.00 par value each		
Issued and fully paid:		
4,474,703 shares	4,474,703	4,474,703
Contributed surplus	3,590,132	3,590,132
Retained earnings	54,763,531	55,250,871
	<u>62,828,366</u>	<u>63,315,706</u>
	<u>\$96,297,324</u>	<u>\$97,790,442</u>

The accompanying notes are an integral part of this financial statement.

DENISON MINES LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,			Six Months Ended June 30,	
	1967	1968	1969	1970	1971
					1972
Restated balance at beginning of the period (Note 9)	\$49,612,849	\$51,838,049	\$58,244,337	\$ 64,622,525	\$50,839,818
Net income for the period	6,923,638	12,670,872	12,642,772	8,133,155	10,188,297
	<u>56,536,487</u>	<u>64,508,921</u>	<u>70,887,109</u>	<u>72,755,680</u>	<u>61,028,115</u>
Deduct:					
Dividends	4,698,438	6,264,584	6,264,584	6,264,584	3,132,292
Adjustment resulting from change in basis of valuation of marketable securities (Note 2)					
	<u>4,698,438</u>	<u>6,264,584</u>	<u>6,264,584</u>	<u>6,264,584</u>	<u>3,132,292</u>
Balance at end of the period	<u>\$51,838,049</u>	<u>\$58,244,337</u>	<u>\$64,622,525</u>	<u>\$50,839,818</u>	<u>\$51,483,578</u>

The accompanying notes are an integral part of this financial statement.

DENISON MINES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31,			Six Months Ended June 30,		
	1967	1968	1969	1970	1971	1972
				(Unaudited) (Unaudited)		
Source of funds						
Current operations — excluding share of net earnings of the unconsolidated subsidiary	\$ 8,473,345	\$13,455,301	\$13,668,951	\$ 9,733,253	\$11,630,747	\$ 4,724,098
Investment in other companies	4,427,298	1,955,221	6,690,655	1,958,709	(5,954,067)	(251,328)
Mortgages and other secured loans	142,925	6,057,436	117,284	(841,511)	1,137,610	372,321
Advances on concentrate sales contracts		7,020,000	539,648	(17,001)	(125,726)	922,480
Debentures of unconsolidated subsidiary	200,000	200,000				
Special refundable tax	(44,212)	160,903	28,848,861	21,016,538	10,833,450	6,688,564
	<u>13,199,356</u>				<u>10,833,450</u>	<u>6,688,564</u>
Application of funds						
Additions to property, plant and equipment — net	4,722,302	3,124,939	2,271,156	1,829,237	2,350,034	1,315,823
Concentrates held for sale	1,477,075	2,370,141	3,091,276	3,128,755	2,605,651	3,649,863
Dividends declared	4,698,438	6,264,584	6,264,584	6,264,584	6,264,584	3,132,292
	<u>10,897,815</u>	<u>11,759,664</u>	<u>11,627,016</u>	<u>11,222,576</u>	<u>11,220,269</u>	<u>8,097,978</u>
Increase (decrease) in working capital from operations	2,301,541	17,089,197	9,389,522	(389,126)	(4,531,705)	(2,287,179)
Adjustment resulting from change in basis of valuation of marketable securities (Note 2)						15,651,278
Increase (decrease) in working capital	\$ 2,301,541	\$17,089,197	\$ 9,389,522			\$ (16,040,404)
	<u>\$ 2,301,541</u>					<u>\$ (16,040,404)</u>
						\$ (2,287,179)
						\$ 951,613
						\$ 951,613

The accompanying notes are an integral part of this financial statement.

DENISON MINES LIMITED

AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information relating to June 30, 1971 and 1972 and the six month periods then ended is unaudited)

1. The consolidated financial statements include the accounts of all subsidiary companies except that the accounts of Lake Ontario Cement Limited (54.7% owned) and its subsidiaries are excluded. The investment in shares of Lake Ontario Cement Limited is stated in the consolidated balance sheet at cost plus the Company's share of consolidated earnings of such subsidiary since control was acquired which share insofar as it related to the periods reported in the consolidated statement of income is included therein. In the Company's view, this method provides the most effective form of presentation of its financial condition; refer to Note 10 for condensed consolidated financial information relating to Lake Ontario Cement Limited and its subsidiaries.

2. MARKETABLE SECURITIES

The Company commenced during 1970 to carry its portfolio of marketable securities at the lower of cost or market value. This change in valuation basis resulted in a charge to retained earnings of \$15,651,278 after adjusting for subsequent gains on sales and changes in market value to December 31, 1970. The Company believes that the presentation adopted provides a clearer statement of its income for 1970 than the recommendations of The Canadian Institute of Chartered Accountants which, if adopted, would have resulted in a loss of \$7,518,123 for the year ended December 31, 1970 instead of the net income of \$8,133,155 reported. Had the above change in valuation basis not been made net income for 1970, computed on the same basis as for 1969, would have been \$1,840,000. Subsequent to 1970, realized gains and losses on marketable securities and changes in market value not in excess of cost have been reflected in income.

3. INVESTMENT IN OTHER COMPANIES

Included in investment in other companies is an amount of \$2,666,625 in respect to 6½ % Series A Black Hawk Mining Ltd. debentures (face value \$2,735,000) due June 30, 1974 on which accrued interest from January 1, 1967 will be taken into revenue when payment is received. As security for such debentures Black Hawk Mining Ltd. and its wholly-owned subsidiary have assigned to the Company all net monies which may be received by them from production from the mineral properties in Maine of such wholly-owned subsidiary which have been brought into production pursuant to an agreement with a subsidiary of Kerr Addison Mines Limited. As at June 30, 1972 the Company held certain additional security with respect to such debentures which security has since been surrendered as required under the production agreement. Included in investment in other companies — shares is an amount of \$2,021,496 being an investment in Midepsa Industries Limited. Subsequent to June 30, 1972 the Company was advised that the Government of Peru had finally confirmed confiscation of the company's concessions in the Sechura desert of Peru, which concessions were the principal asset of the company. Accordingly the Company will reflect in its financial statements as of December 31, 1972 a reduction of the carrying value of this investment.

4. DEPRECIATION AND AMORTIZATION

Plant and equipment at the Company's mine properties acquired before 1965 was written off in years prior to 1965; subsequent additions and all other plant and equipment of the companies are being depreciated over their estimated useful lives. Development expenditures made after 1965 for the purpose of preparing mining areas beyond current requirements have been deferred and are being written off in an appropriate manner as such areas of the mine are brought into production. Petroleum and natural gas lease acquisition costs and development expenditures are amortized on the unit of production method based on estimated reserves.

5. INCOME TAXES

- (a) The Company has received federal and provincial income tax re-assessments for the years 1961 to 1967 and federal and provincial income tax re-assessments to 1968 for certain wholly-owned subsidiary companies. Certain assets of the Company and of a wholly-owned subsidiary have

been assigned (in part subsequent to December 31, 1971) to the tax authorities as security for these re-assessments pending settlement.

In September 1971 the Trial Division of the Federal Court of Canada dismissed an appeal by the Company against the 1961 federal re-assessment, the principal issue of which was the disallowance of deduction by the Company of capital cost allowance claimed in respect of the cost of construction of main haulageways and similar underground works capitalized by the Company for tax purposes only. On the advice of special counsel this decision was appealed to the Federal Court of Appeal which has dismissed the appeal. The Company is appealing the decision to the Supreme Court of Canada. Pending final resolution of this matter in the courts, which is not expected until late in 1973, indicated tax liabilities in the amount of \$7,146,000 plus interest to December 31, 1971 of \$3,691,000 (\$3,925,628 to June 30, 1972) have been reflected in the accounts as outlined in Note 9.

Notices of objection have been filed with respect to the other re-assessments, the issue being the inclusion in income of gains realized on the disposition of certain portfolio shares. In the opinion of special counsel the Company and its subsidiaries should be successful in contesting the re-assessments where the investment intention is demonstrable. The Company is satisfied that such intention can be shown. If these objections are unsuccessful the additional liability for income taxes to December 31, 1971 is estimated to be \$3,487,000 plus interest of \$676,000 (to June 30, 1972, \$3,603,000 and \$781,000 respectively), which amounts have not been reflected in the accounts.

If the objections are successful the liability for income taxes for the six months ended June 30, 1972 would not be in excess of \$1,540,000, which amount has been reflected in the accounts.

- (b) The Company has not adopted the tax allocation basis of accounting for taxes and therefore the accounts do not reflect deferred income taxes. If the appeal and objections referred to in Note 5(a) are successful, deferred income taxes to December 31, 1971 amount to \$3,658,000 (\$4,137,000 to June 30, 1972) applicable as shown in column A below. If the appeal and objections are unsuccessful, deferred income taxes to December 31, 1971 amount to \$3,618,000 (\$6,108,000 to June 30, 1972) applicable as shown in column B below.

	Deferred Income Taxes	
	A	B
Prior to 1967	\$ (273,000)	\$ 1,399,000
1967	1,698,000	1,501,000
1968	(102,000)	867,000
1969	(823,000)	116,000
1970	(253,000)	(3,306,000)
1971	3,411,000	3,041,000
Six months ended June 30, 1971	1,047,000	(903,000)
Six months ended June 30, 1972	479,000	2,490,000

6. CONTINGENT ITEM

In 1968 the Company commenced proceedings in the State of Illinois against Michigan Chemical Corporation claiming damages of \$2,338,000 plus interest and costs for breach by it of a contract for the purchase by it of yttrium oxide. Michigan Chemical Corporation defended the action and counter-claimed for three times alleged damages of \$1,240,000. The action was tried during 1971 and the Company was awarded damages of \$1,955,364 with interest and costs, the counter-claim being dismissed. Michigan Chemical Corporation filed an appeal which was heard in April, 1972. The judgment on appeal has been given affirming the judgment of the trial court except with respect to an amount yet to be determined but which is relatively small. Michigan Chemical Corporation has made application for a re-hearing of the appeal.

7. GROSS OPERATING REVENUE

The following table sets out the percentage increase in gross operating revenue over that for the immediately preceding year (over the corresponding period in 1971 in the case of the unaudited six month period ended June 30, 1972) and shows the proportion of this percentage increase attributable to the Uranium Division and to the Oil and Gas Division.

	Percentage increase over preceding period	Proportion attributable to Uranium Division	Oil and Gas Division
1968 over 1967	3.1%	103.8%	(3.8%)
1969 over 1968	11.7%	99.4%	0.6%
1970 over 1969	9.4%	65.2%	34.8%
1971 over 1970	22.4%	78.9%	21.1%
First six months of 1972 over first six months of 1971	32.7%	87.2%	12.8%

8. REVENUE FROM INVESTMENTS

Included in revenue from investments is net gain on security transactions of which the following amounts are gains on realization of securities in the balance sheet category "Investment in Other Companies":

1967	\$3,478,129
1968	3,109,238
1969	3,460,805
1970	330,753
1971	154,132
Six months ended June 30, 1971	Nil
Six months ended June 30, 1972	146,590

9. PRIOR PERIOD ADJUSTMENTS

As a result of assessment in 1971 of mining taxes for the years 1967 to 1970 the provision for mining taxes in each of these years has been restated to reflect a retroactive credit of \$1,047,082 representing the cumulative amount by which mining taxes had been overestimated for the period.

The Company has reflected indicated tax liabilities and interest thereon of \$10,837,100 in the accounts to December 31, 1971 (\$11,071,628 to June 30, 1972) as a consequence of the adverse decision of the Trial Division of the Federal Court of Canada referred to in Note 5(a). Of this amount income taxes of \$1,184,810 and interest of \$2,412,678 have been charged against income in the period January 1, 1967 to June 30, 1972 and the balance of \$7,474,140 which is applicable to years prior to January 1, 1967 has been charged to retained earnings as at that date.

In 1968 the Company made a payment in the amount of \$5,665,000 in settlement of European representation costs for 1967 and prior years. Of this amount \$1,416,250 has been charged to income in 1967 and the balance has been charged to retained earnings as at January 1, 1967.

The resulting changes in the balance of retained earnings at the beginning of each year are summarized as follows (in thousands of dollars):

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
As originally reported	\$ 61,336	\$ 66,542	\$ 67,385	\$ 73,837	\$ 60,161
Adjustments of prior years' income					
Mining taxes	23	(288)	(685)	(1,047)	
Income taxes under appeal and interest thereon	7,474	9,016	9,429	9,899	10,368
European representation costs	4,249	5,665	5,665	5,665	5,665
As restated	<u>\$ 49,613</u>	<u>\$ 51,838</u>	<u>\$ 58,244</u>	<u>\$ 64,623</u>	<u>\$ 50,840</u>

**10. FINANCIAL INFORMATION RELATING TO
LAKE ONTARIO CEMENT LIMITED AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in thousands of dollars, except for earnings per common share)

	Year ended December 31,					Six months ended June 30,	
	1967	1968	1969	1970	1971	1971	1972
BBillings to customers, less discounts and taxes	\$19,542	\$20,931	\$21,736	\$22,617	\$26,443	\$10,890	\$10,836
Costs and expenses	18,428	18,954	19,989	21,527	23,918	10,782	10,648
Extraordinary gain (loss) on dis- posal of fixed assets — net ..	1,114	1,977	1,747	1,090	2,525	108	188
Provision for income taxes (Note (a))	621	845	805	555	1,255	40	45
Net earnings for the period	\$ 493	\$ 915	\$ 1,028	\$ 535	\$ 1,270	\$ 68	\$ 143
Earnings per common share	\$.12	\$.22	\$.24	\$.13	\$.30	\$.02	\$.03

Note (a) — This company did not adopt the tax allocation basis for recording taxes on income until 1968 and deferred income taxes for years prior to 1968 have not been recorded in the accounts. The 1967 tax provision shown above is included for comparative purposes only. Total unrecorded deferred income taxes for 1967 and prior years are \$4,122,000 at December 31, 1971 and June 30, 1972.

CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

	December 31, 1971	June 30, 1972
Assets		(Unaudited)
Total current assets	\$ 8,488	\$ 9,329
Investments	242	242
Property, plant and equipment	43,169	43,733
Accumulated depreciation	(16,457)	(17,386)
Other assets	367	551
	<u>\$ 35,809</u>	<u>\$ 36,469</u>
Liabilities		
Total current liabilities	\$ 2,919	\$ 3,636
Long term debt	10,955	10,755
Deferred income taxes	2,370	2,370
	<u>16,244</u>	<u>16,761</u>
Shareholders' equity		
Common shares	4,223	4,223
Contributed surplus	4,737	4,737
Retained earnings	10,605	10,748
	<u>19,565</u>	<u>19,708</u>
	<u>\$ 35,809</u>	<u>\$ 36,469</u>

OPINION OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Directors of
Stanrock Uranium Mines Limited:

We have previously reported to the shareholders of Stanrock Uranium Mines Limited on the financial statements of Stanrock Uranium Mines Limited, as follows:

- On February 19, 1968, for the year ended December 31, 1967.
- On February 5, 1969, for the year ended December 31, 1968.
- On February 17, 1970, for the year ended December 31, 1969.
- On April 2, 1971, for the year ended December 31, 1970.
- On April 14, 1972, for the year ended December 31, 1971.

In order to present the financial position and the results of the operations of Stanrock Uranium Mines Limited and Subsidiary Company on a comparable basis with Denison Mines Limited, with which Stanrock Uranium Mines Limited proposes to amalgamate, the accounts for the period January 1, 1967 to December 31, 1971 relating to deferred exploration have been restated as set forth in Note 4 to the consolidated financial statements.

We have examined the consolidated balance sheet of Stanrock Uranium Mines Limited and Subsidiary Company as at December 31, 1971 and the consolidated statements of earnings (page 7 of this Proxy Statement), deficit and source and application of funds for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the unaudited operating results of the former Fulfillment Division of the Company referred to in Note 7, we report that, in our opinion, for purposes of the proposed amalgamation, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the five years then ended in accordance with generally accepted accounting principles consistently applied.

HARBINSON, GLOVER & CO.
Chartered Accountants.

Toronto, Ontario,
April 14, 1972,
except as to the effects of the
restatement outlined in paragraph
two of this report as to which the
date is September 7, 1972.

STANROCK URANIUM MINES LIMITED
AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET (NOTE 1)
AS AT DECEMBER 31, 1971 AND JUNE 30, 1972

ASSETS

	December 31, 1971	June 30, 1972
	(unaudited)	
Current:		
Cash	\$ 272,174	\$ 270,639
Accounts receivable	29,944	27,189
Prepaid expenses	28,796	31,939
	<u>330,914</u>	<u>329,767</u>
Fixed, at cost:		
Mining properties	596,933	596,933
Land (Note 2)	24,000	24,000
Buildings, machinery and equipment	14,342,598	14,161,221
Less: Accumulated depreciation	(14,330,858)	(14,154,481)
	<u>632,673</u>	<u>627,673</u>
Option payments (Note 3)	27,506	27,506
	<u>\$ 991,093</u>	<u>\$ 984,946</u>

LIABILITIES

Current:		
Accounts payable and accrued liabilities	\$ 67,052	\$ 52,083
Bond principal and interest		41,993
	<u>67,052</u>	<u>94,076</u>
Deposit on option (Note 2)	1,000	2,000

SHAREHOLDERS' EQUITY

Capital (Note 5):

Authorized:

10,000,000 shares with a par value of \$1 each

Issued, fully paid and non-assessable:

6,546,323 shares	6,546,323	6,546,323
Less: Discount on shares (net)	2,105,173	2,105,173
	<u>4,441,150</u>	<u>4,441,150</u>
Deficit	3,518,109	3,552,280
	<u>923,041</u>	<u>888,870</u>
	<u>\$ 991,093</u>	<u>\$ 984,946</u>

The accompanying notes are an integral part of this financial statement.

STANROCK URANIUM MINES LIMITED
AND SUBSIDIARY COMPANY

**CONSOLIDATED STATEMENT OF DEFICIT (NOTE 1)
FOR THE FIVE YEARS AND SIX MONTHS ENDED JUNE 30, 1972**

	Year ended December 31,			Six months ended June 30,	
	1967	1968	1969	1970	1971
Balance, beginning of period	\$2,139,606	\$2,538,562	\$2,760,484	\$3,010,580	\$3,462,041
Add: Net loss for period after special items	260,127	221,922	250,096	451,461	56,068
Excess of discounted value of shares issued for the assets of The Standard Corporation over book value thereof					
Balance, end of period	<u>\$2,538,562</u>	<u>\$2,760,484</u>	<u>\$3,010,580</u>	<u>\$3,462,041</u>	<u>\$3,518,109</u>
					<u><u>\$3,497,455</u></u>
					<u><u>\$3,552,280</u></u>

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (NOTE 1)
FOR THE FIVE YEARS AND SIX MONTHS ENDED JUNE 30, 1972**

	Year ended December 31,			Six months ended June 30,	
	1967	1968	1969	1970	1971
Source of funds:					
Issue of shares:					
For cash	\$ 62,200	\$ 48,749	\$ 68,084		
For assets	736,501				
Deposit on option	<u>798,701</u>	<u>48,749</u>	<u>68,084</u>		
					<u><u>\$ 1,000</u></u>
					<u><u>\$ 1,000</u></u>
Application of funds:					
Net loss for the year, less depreciation					
Purchase of fixed assets:					
Mining claims	242,858	200,520	225,371	\$ 426,416	39,658
Machinery and equipment	296,933	20,672	16,608	1,602	
Option payments	40,000	40,000	40,000		
Reduction in note payable	<u>600,463</u>	<u>284,634</u>	<u>266,973</u>	<u>426,416</u>	<u>39,658</u>
					<u><u>\$ 1,000</u></u>
					<u><u>\$ 1,000</u></u>
Increase or decrease () in working capital	<u>198,238</u>	<u>(235,885)</u>	<u>(198,889)</u>	<u>(426,416)</u>	<u>(38,658)</u>
Working capital, beginning of period	965,472	1,163,710	927,825	728,936	302,520
Working capital, end of period	<u>\$ 1,163,710</u>	<u>\$ 927,825</u>	<u>\$ 728,936</u>	<u>\$ 302,520</u>	<u>\$ 263,862</u>
					<u><u>\$ 275,106</u></u>
					<u><u>\$ 235,691</u></u>

The accompanying notes are an integral part of these financial statements.

STANROCK URANIUM MINES LIMITED

AND SUBSIDIARY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information relating to June 30, 1971 and 1972 and the six month periods then ended is unaudited)

NOTE 1. Accounting presentation

The consolidated financial statements include the accounts of Stanatomic Uranium Mines Limited which is 69.5% owned. Since Stanatomic Uranium Mines Limited is in deficit, no minority interest is shown.

In order to present the financial position and the results of the operations of Stanrock Uranium Mines Limited ("Stanrock") and Subsidiary Company on a comparable basis with Denison Mines Limited, with which Stanrock proposes to amalgamate, the accounts for the period January 1, 1967 to June 30, 1972 relating to deferred exploration have been restated as set forth in Note 4.

NOTE 2. Land

During 1971 Stanrock granted to the lessee of certain non-mining property an option, exercisable to April 1, 1973, to purchase that property at a purchase price of \$40,000. If the option is exercised, the \$2,000 deposit will apply against the purchase price.

NOTE 3. Option payments

In November 1967 Stanrock obtained an option to acquire a 51% interest in a group of seventeen mining claims in the Elliot Lake area. To exercise the option Stanrock is required to expend an additional \$120,000 prior to 1977 on such claims.

NOTE 4. Accounting policy for deferred exploration

The Stanrock accounts relating to deferred exploration have been restated whereby all costs relating to exploration have been included in the Stanrock statement of earnings.

For the five years and six months ended June 30, 1972 the change has resulted in additional charges to income of \$207,048. (Fiscal 1967 — \$147,941, 1968 — \$10,503, 1969 — \$16,068, 1970 — \$32,013, 1971 — \$338; Six months ended June 30, 1972 — \$185, June 30, 1971 — \$208).

NOTE 5. Capital

(a) During 1967 Stanrock obtained Supplementary Letters Patent increasing the authorized capital from \$6,000,000 to \$10,000,000 by the creation of an additional 4,000,000 shares, par value \$1.00 each, ranking on a parity with the existing shares.

(b) The following table sets out the changes in issued share capital during the five years and six months ended June 30, 1972:

	Number of shares	Amount
Balance, January 1, 1967	4,993,286	\$3,386,787
To acquire net assets	1,346,662	875,330
Exercise of options for cash	127,625	62,200
Balance, December 31, 1967	6,467,573	4,324,317
Exercise of options for cash	35,915	48,749
Balance, December 31, 1968	6,503,488	4,373,066
Exercise of options for cash	42,835	68,084
Balance, December 31, 1969 and subsequent periods to June 30, 1972	6,546,323	\$4,441,150

NOTE 6. Income taxes

Under the Income Tax Act of Canada, Stanrock had exploration, prospecting and development costs of approximately \$200,000 available to carry forward as at June 30, 1972 to reduce taxable incomes of future periods. Stanrock also has approximately \$18,400,000 in capital cost allowance which may be claimed to reduce taxable incomes of future periods.

NOTE 7. Extraordinary items

On June 1, 1967 Stanrock purchased all the assets and assumed all the liabilities of The Stanward Corporation ("Stanward"). The purchase included the issuance of shares of Stanrock for the assets of Stanward on a pooling of interests basis. The net book value of the assets of Stanward on June 1, 1967 which Stanrock recorded on its books was \$736,501. Stanrock issued 1,346,662 shares at a discount of \$.35 from par value in exchange for such net assets.

Included in the assets purchased from Stanward were mining claims and interests located in Ontario. These assets had a book value of \$254,757 and were excluded from the sale referred to below.

The other assets purchased were located in Marion, Ohio and comprised a magazine fulfillment service. These assets were operated by Stanrock as the Fulfillment Division. The Division was sold for \$751,071 cash on October 19, 1967.

The unaudited operating results of the Division show sales of \$893,111 (U.S.) and a net loss of \$14,992 (U.S.) for the period June 1, 1967, the date of purchase, to October 19, 1967, the date of sale.

The net profit from the purchase, operation and sale of the Division was \$148,725, after providing for applicable U.S. taxes.

NOTE 8. Options

Options outstanding as at December 31, 1971:

- (a) Option granted during 1968 to an officer for 5,000 shares of the Company, exercisable before February 7, 1973 at \$4.06 (U.S.) per share.
- (b) Options granted during 1970 to officers and other key employees for 85,000 shares of the Company, exercisable before July 29, 1975 at \$.71 (Canadian) per share.

AMALGAMATION AGREEMENT

THIS AGREEMENT made this 8th day of December, 1972.

BETWEEN:

DENISON MINES LIMITED,
a corporation incorporated under the laws of the
Province of Ontario, (hereinafter called "Denison")
OF THE FIRST PART

— and —

STANROCK URANIUM MINES LIMITED,
a corporation incorporated under the laws of the
Province of Ontario, (hereinafter called "Stanrock")
OF THE SECOND PART.

WHEREAS Denison is a corporation resulting from the amalgamation, by letters patent of amalgamation dated March 24, 1960, of Consolidated Denison Mines Limited, a company incorporated under The Companies Act by letters patent dated November 30, 1936, and Can-Met Explorations Limited, a company incorporated under The Companies Act by letters patent dated April 20, 1944;

AND WHEREAS supplementary letters patent dated respectively January 25, 1963 and January 30, 1970 and articles of amendment which became effective on February 11, 1972 have been issued to Denison;

AND WHEREAS Stanrock was incorporated under The Corporations Act, 1953 by letters patent dated March 27, 1956 and supplementary letters patent have been issued to Stanrock dated respectively April 23, 1958 and March 31, 1967;

AND WHEREAS the authorized capital of Denison consists of \$6,000,000 divided into 6,000,000 shares with a par value of \$1.00 each of which 4,474,703 shares have been issued and are outstanding as fully paid and the issued capital of Denison is \$4,474,703;

AND WHEREAS the authorized capital of Stanrock consists of \$10,000,000 divided into 10,000,000 shares with a par value of \$1.00 each of which 6,546,323 shares have been issued and are outstanding as fully paid and the issued capital of Stanrock is \$6,546,323;

AND WHEREAS each party hereto has made full and complete disclosure to the other party hereto of its known assets and liabilities;

AND WHEREAS under the authority conferred by The Business Corporations Act (Ontario) the parties hereto desire and have agreed to amalgamate upon the terms and conditions hereinafter set out and to continue as one corporation;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this agreement the term "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of Denison and Stanrock.
2. Denison and Stanrock do hereby agree to amalgamate under the provisions of Section 196 of The Business Corporations Act (Ontario) and to continue as one corporation upon the terms and conditions hereinafter set out and the articles of incorporation of Denison and Stanrock are amended to the extent necessary to give effect to the terms and conditions hereof.
3. The name of the Amalgamated Corporation shall be DENISON MINES LIMITED.

4. The objects of the Amalgamated Corporation shall be as follows:

(a) to acquire, own, lease, prospect for, open, explore, develop, work, improve, maintain and manage mines and mineral lands and deposits, and to dig for, raise, crush, wash, smelt, assay, analyze, reduce, amalgamate, refine, pipe, convey and otherwise treat ores, metals and minerals, whether belonging to the Amalgamated Corporation or not, and to render the same merchantable and to sell or otherwise dispose of the same or any part thereof or interest therein;

(b) to take, acquire and hold as consideration for ores, metals or minerals sold or otherwise disposed of or for goods supplied or for work done by contract or otherwise, shares, debentures or other securities of or in any other corporation having objects similar, in whole or in part, to those of the Amalgamated Corporation and to sell and otherwise dispose of the same;

(c) to enter into contracts, agreements and arrangements of any and all kinds with any person, corporation, partnership, firm or association;

(d) to purchase, lease or otherwise acquire and hold real and personal property and rights or interests therein and, in particular, lands, buildings, hereditaments, business or industrial concerns and undertakings, mortgages, liens, charges or other encumbrances, contracts, concessions, franchises, annuities, patents, licences, securities, trademarks, policies, book debts and privileges and choses in action of all kinds;

(e) to guarantee, with or without security, the performance of contracts and the performance of any obligations or undertakings of any other person, corporation, partnership, firm or association, including the payment of dividends, interest, principal and premium, if any, of or on shares, bonds, debentures or other securities, mortgages or liabilities of any such person, corporation, partnership, firm or association; and

(f) to carry on any trade or business whatsoever which can, in the opinion of the board of directors, be advantageously carried on by the Amalgamated Corporation in connection with or ancillary to any of the above businesses or the general business of the Amalgamated Corporation.

5. The authorized capital of the Amalgamated Corporation shall be \$6,000,000 divided into 6,000,000 shares with a par value of \$1.00 each.

6. Stanrock shall, prior to the amalgamation of Denison and Stanrock becoming effective, amend the articles of incorporation of Stanrock to

(a) decrease the authorized capital of Stanrock by the cancellation of 63 issued shares with a par value of \$1.00 each in the capital of Stanrock which are then outstanding and registered in the name of George Rowe, Jr.;

(b) change all the shares, both issued and unissued, in the capital of Stanrock remaining after the cancellation provided for in sub-paragraph (a) of this paragraph into shares without par value;

(c) consolidate all the issued shares without par value in the capital of Stanrock resulting from the change provided for in sub-paragraph (b) of this paragraph into shares without par value on the basis that each 70 of the said issued shares shall become one share;

(d) make Stanrock not subject to Part IV of The Corporations Act, 1953 (Ontario).

7. The shares of Denison and Stanrock which are issued and outstanding, after the amendment of the articles of incorporation of Stanrock provided for in paragraph 6 hereof and immediately prior to the date of the certificate of amalgamation of Denison and Stanrock, shall, on and from such last mentioned date, be converted into issued and outstanding shares of the Amalgamated Corporation as follows:

(a) the shares with a par value of \$1.00 each in the capital of Denison shall be converted, share for share, into a like number of shares with a par value of \$1.00 each in the capital of the Amalgamated Corporation;

(b) the shares without par value in the capital of Stanrock (including the shares in respect of which shareholders of Stanrock became entitled to fractions of shares upon the consolidation of shares provided for in paragraph 6 (c) hereof) shall be converted, share for share, into a like number of shares with a par value of \$1.00 each in the capital of the Amalgamated Corporation.

8. After the issue of the certificate of amalgamation of Denison and Stanrock, the shareholders of Denison and Stanrock when requested by the Amalgamated Corporation to do so may surrender the certificates

representing the shares of Denison and Stanrock held by them respectively for cancellation and shall be entitled to receive without charge one certificate for shares of the Amalgamated Corporation on the bases aforesaid, provided that George Rowe, Jr. shall not receive any certificate in respect of the shares cancelled in accordance with the provisions of paragraph 6 (a) hereof and provided further that those persons who were shareholders of Stanrock and who by reason of the consolidation of shares referred to in paragraph 6 (c) hereof became entitled to fractions of shares of Stanrock shall be entitled to similar fractions of shares of the Amalgamated Corporation but shall not be entitled to be registered on the books of the Amalgamated Corporation in respect thereof or to receive share certificates therefor and shall be entitled to receive bearer fractional certificates in respect of such fractions in accordance with the provisions of Section 52 of The Business Corporations Act (Ontario).

9. The head office of the Amalgamated Corporation shall be situate in The Municipality of Metropolitan Toronto, in the Province of Ontario at 4 King Street West until changed in accordance with the provisions of The Business Corporations Act (Ontario) or in the case of a change of address within such municipality by resolution of the board of directors.

10. The by-laws of Denison shall, so far as applicable, be the by-laws of the Amalgamated Corporation until repealed, amended, altered or added to.

11. The board of directors of the Amalgamated Corporation, until otherwise determined by special by-law, shall consist of 15 members and the first directors of the Amalgamated Corporation with their names and places of residence shall be the following:

Name	Residence
Donald Sutherland Anderson	42 Arjay Crescent, Willowdale, Ontario.
Charles Fowler Williams Burns	Kingfield Farm, King City, Ontario.
Mario Joseph deBastiani	House No. 34, Denison Mines Town Site, Elliot Lake, Ontario.
Honourable George Alexander Drew	60 Old Forest Hill Road, Toronto, Ontario.
Frederick Hurdman Jowsey	9 Glengowan Avenue, Toronto, Ontario.
John Kostuik	14 Briancliff Drive, Don Mills, Ontario.
Edward Bruce McConkey	11 Paddock Court, Willowdale, Ontario.
Honourable Alexander Hamilton McDonald	Moosomin, Saskatchewan, or 23 Aleutina Road, Ottawa, Ontario.
Edward Arroll Merkle	465 Herkimer Avenue, Haworth, New Jersey.
John Albert Mullin, Q.C.	43 Glenallan Road, Toronto, Ontario.
John Charles Puhky	19 Tudor Gate, Willowdale, Ontario.
Stephen Boleslav Roman	R.R. #1, Unionville, Ontario.
George Rowe, Jr.	11 South Cottenham Street, Irvington-on-Hudson, New York.
Harry Sutherland	155 Forest Hill Road, Toronto, Ontario.
Bertram Elmore Willoughby	105 Glen Road, Toronto, Ontario.

The said first directors shall hold office until the first annual meeting of the Amalgamated Corporation or until their successors are elected or appointed. The subsequent directors shall be elected in accordance with the provisions of The Business Corporations Act (Ontario).

12. The officers of the Amalgamated Corporation shall, until changed by the board of directors, be the following:

Chairman of the Board	Stephen B. Roman
President	John Kostuik
Vice-President, Finance and Treasurer	E. B. McConkey
Secretary	John C. Puhky
Vice-President, Uranium Operations	M. J. deBastiani
Vice-President, Coal Operations	Walter J. Riva

13. The management and operation of the Amalgamated Corporation shall be under the control of the board of directors from time to time, subject to the provisions of The Business Corporations Act (Ontario).

14. When authorized by special by-law, the directors of the Amalgamated Corporation may,

- (i) borrow money on the credit of the Amalgamated Corporation; or
- (ii) issue, sell or pledge debt obligations of the Amalgamated Corporation; or
- (iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Amalgamated Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Amalgamated Corporation;

the words "debt obligations" as used in this clause mean bonds, debentures, notes or other similar obligations of the Amalgamated Corporation, whether secured or unsecured.

15. The Amalgamated Corporation may purchase any of its common shares out of surplus.

16. Each of the parties shall contribute to the Amalgamated Corporation all its assets, subject to its liabilities as such exist immediately before the amalgamation.

17. Upon this agreement being approved by a special resolution of each of Denison and Stanrock, this agreement shall become effective and within six months thereafter Denison and Stanrock shall do all things necessary to cause the amalgamation to become effective.

18. Denison and Stanrock may by resolution of their respective boards of directors assent to any alteration or modification of this agreement which the shareholders of the respective corporations at meetings called to consider the same may approve.

IN WITNESS WHEREOF this agreement has been executed by the parties hereto under their respective corporate seals.

DENISON MINES LIMITED

By "J. KOSTUIK"
President

"J. C. PUHKY"
Secretary

C.S.

STANROCK URANIUM MINES LIMITED

By "GEO. ROWE, JR."
President

"HARMON DUNCOMBE"
Secretary

CS

REPRESENTATIONS AGREEMENT

THIS AGREEMENT made this 8th day of December, 1972.

BETWEEN

DENISON MINES LIMITED,
a corporation incorporated under the laws of the
Province of Ontario, (hereinafter called "Denison")
OF THE FIRST PART

— and —

STANROCK URANIUM MINES LIMITED,
a corporation incorporated under the laws of the
Province of Ontario, (hereinafter called "Stanrock")
OF THE SECOND PART.

WHEREAS Denison and Stanrock propose to enter into an amalgamation agreement (the "Amalgamation Agreement") providing for the amalgamation (the "Amalgamation") of Denison and Stanrock to form one company (the "Amalgamated Company");

NOW, THEREFORE, in consideration of mutual representations, warranties and covenants herein contained, the parties hereto do hereby agree as follows:

Article 1. Representations and Warranties of Stanrock.

Stanrock hereby represents and warrants as follows:

(a) Corporate Existence and Power

Stanrock, and its partly-owned subsidiary Stanatomic Uranium Mines Limited, are corporations duly organized, validly existing and in good standing under the laws of the Province of Ontario.

(b) Financial Statements

Stanrock has heretofore delivered to Denison (a) its Annual Report to Stockholders for the year ended December 31, 1971, which includes a Balance Sheet as of December 31, 1971 and related Statements of Earnings and Deficit for the year then ended, reported upon by Harbinson, Glover & Co., independent chartered accountants and (b) an unaudited Consolidated Balance Sheet as of June 30, 1972, and related unaudited Consolidated Statements of Earnings and Deficit for the six months then ended. All such statements present fairly the consolidated financial condition of Stanrock as of the respective dates of said Balance Sheets and the results of operations for the respective periods indicated in said Statements of Earnings. All such statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis, except as otherwise stated in the notes to such statements.

(c) No Adverse Changes

Since June 30, 1972, there has been no material adverse change in the business or condition, financial or otherwise, of Stanrock from that shown on the unaudited Balance Sheet of Stanrock as of June 30, 1972, heretofore delivered to Denison.

(d) Title to Properties

Stanrock has heretofore delivered to Denison a schedule ("Schedule A") of interests in real properties and mining claims held, owned or leased by Stanrock and Stanatomic. Except as otherwise set

forth on a schedule ("Schedule B") heretofore delivered by Stanrock to Denison, Stanrock owns outright all other assets and properties reflected in its unaudited Balance Sheet as of June 30, 1972, heretofore delivered to Denison, or acquired by it after such date, other than such assets and properties sold or otherwise disposed of in the ordinary course of business subsequent to said date, in each case free and clear of all mortgages, liens or encumbrances, except liens for taxes not yet due or which are being contested in good faith and other liens, charges and encumbrances incidental to the conduct of its business or the ownership of its properties and assets which do not in the aggregate materially detract from the value of its properties or assets or materially impair the use thereof in the operation of its business.

(e) Contracts

Except as listed in a schedule ("Schedule C") which Stanrock has heretofore delivered to Denison, Stanrock is not a party to any written or oral

- (i) contract for the employment of any officer or individual employee;
- (ii) contract with any labor union;
- (iii) continuing contract for the future purchase of materials, supplies or equipment;
- (iv) pension, profit sharing, retirement or stock purchase plan in effect with respect to employees or others;
- (v) lease under which it is lessor or lessee;
- (vi) material contract not made in the ordinary course of business; or
- (vii) consultant agreement.

(f) Litigation

Except as listed in a schedule ("Schedule D") heretofore delivered by Stanrock to Denison, there are no actions, suits, proceedings or investigations (whether or not purportedly on behalf of Stanrock) pending, or, to the knowledge of Stanrock, threatened against or affecting Stanrock at law or in equity or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind, which involve the possibility of any judgment or liability not fully covered by insurance in excess of a reasonable deductible amount, except suits and proceedings which in the aggregate are not likely to have a material adverse effect upon Stanrock.

(g) Insurance

Stanrock has heretofore delivered to Denison a schedule ("Schedule E") listing and briefly describing all policies for fire, liability and other forms of insurance held by Stanrock.

(h) Corporate Action

The Board of Directors of Stanrock has duly approved this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement by Stanrock.

(i) Action Since June 30, 1972

Since June 30, 1972, Stanrock has

- (i) not declared or paid any dividend, or made any distribution of its properties or assets, to its stockholders, or issued any additional shares of stock;
- (ii) not granted further employee stock options to purchase shares of stock of Stanrock;
- (iii) not made any changes in its Letters Patent or articles of incorporation or by-laws, other than as provided for herein;
- (iv) not increased the rate or form of compensation payable to any agent or employee of Stanrock, except salary increases for employees (other than officers of Stanrock) occurring in the ordinary course of salary adjustments;
- (v) not disposed of any of its assets, (A) except in the payment of its ordinary expenses and in the discharge of liabilities incurred by it in the ordinary course of its business and (B) except those assets listed in a schedule ("Schedule F") heretofore delivered to Denison;
- (vi) not incurred any indebtedness except in the ordinary course of business (other than indebtedness incurred in connection with the transactions contemplated by this Agreement), and not

allowed any tax or other liability of Stanrock to be extended by waiver of any statute of limitation or otherwise; and

(vii) complied in all material respects with all applicable United States and Canadian local, state or provincial and federal laws, rules and regulations, including those relative to the payment of income, franchise and other taxes, fees, assessments and charges due to be paid prior to the date of Amalgamation.

Article 2. Representations and Warranties of Denison.

(a) Corporate Existence and Power

Denison is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario and is duly qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which the failure to be so qualified would materially impair its title to its property or its right to enforce its material contracts.

(b) Financial Statements

Denison has heretofore delivered to Stanrock (a) the Denison Annual Report to shareholders for the year ended December 31, 1971, which includes a Consolidated Balance Sheet of Denison as of December 31, 1971 and a related Consolidated Statement of Income and Retained Earnings of Denison for the year then ended reported upon by Eddis & Associates, independent chartered accountants, and (b) an unaudited Consolidated Balance Sheet of Denison as of June 30, 1972 and a related unaudited Consolidated Statement of Income and Retained Earnings for the six months then ended. All such statements present fairly the consolidated financial condition of Denison as of the respective dates of said Consolidated Balance Sheets, and the results of operations for the respective periods indicated in said Statements of Income. All such statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis except as otherwise stated in the notes to such statements.

(c) No Adverse Changes

Since June 30, 1972, there has been no material adverse change in the business or condition, financial or otherwise, of Denison as shown in the unaudited Consolidated Balance Sheet of Denison as of June 30, 1972, and related unaudited Statement of Income for the six months then ended heretofore delivered to Stanrock.

(d) Litigation

Except as set forth in the financial statements heretofore delivered by Denison to Stanrock, there are no actions, suits, proceedings or investigations (whether or not purportedly on behalf of Denison) pending or, to the knowledge of Denison, threatened against or affecting Denison at law or in equity or admiralty or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind, which involve the possibility of any judgment or liability not fully covered by insurance in excess of a reasonable deductible amount, except suits and proceedings which in the aggregate will not result in any material adverse change in the business, properties or assets, or in the condition, financial or otherwise, of Denison; and Denison is not, to the knowledge of any officer of Denison, in default with respect to any order, writ, injunction or decree of any court or governmental department, commission, bureau, board, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind.

(e) Corporate Action

The Board of Directors of Denison has duly approved this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement by Denison.

Article 3. Covenants of Stanrock.

(a) Upon the terms and subject to all the conditions herein set forth, Stanrock shall, prior to the date of Amalgamation, amend its articles of incorporation to

(i) decrease the authorized capital of Stanrock by the cancellation of 63 issued shares with a par value of \$1.00 each in the capital of Stanrock which are then outstanding and registered in the name of George Rowe, Jr.;

(ii) change all the shares, both issued and unissued, in the capital of Stanrock remaining after the cancellation provided for in subparagraph (i) of this Article 3 into shares without par value;

(iii) consolidate all the issued shares without par value in the capital of Stanrock resulting from the change provided for in subparagraph (ii) of this Article 3 into shares without par value on the basis that each 70 of the said issued shares shall become one share;

(iv) make Stanrock not subject to Part IV of The Corporations Act, 1953 (Ontario).

(b) Stanrock agrees that from and after the date hereof and through the date of Amalgamation, unless otherwise consented to by Denison, it will

(i) not declare or pay any dividend, or make any distribution of its properties or assets, to its stockholders, or issue any additional shares of stock;

(ii) not grant further employee stock options to purchase shares of stock of Stanrock;

(iii) not make any changes in its Letters Patent or articles of incorporation or by-laws, other than as provided for herein;

(iv) not increase the rate or form of compensation payable to any agent or employee of Stanrock, except salary increases for employees (other than officers of Stanrock) occurring in the ordinary course of salary adjustments;

(v) not dispose of any of its assets; provided, however, that no such consent shall be required in respect to the payment of Stanrock's ordinary expenses, the discharge of liabilities incurred by Stanrock in the ordinary course of its business and the payment or discharge of expenses or liabilities incurred in connection with this Agreement and the transactions contemplated thereby;

(vi) not incur any indebtedness except in the ordinary course of business (other than indebtedness incurred in connection with the consummation of the transactions contemplated by this Agreement), or allow any tax or other liability of Stanrock to be extended by waiver of any statute of limitation or otherwise;

(vii) cause all holders of any outstanding stock options to confirm that such options expire upon the Amalgamation taking place;

(viii) comply in all material respects with all applicable United States and Canadian local, state or provincial and federal laws, rules and regulations, including those relative to the payment of income, franchise and other taxes, fees, assessments and charges due to be paid prior to the date of Amalgamation; and

(ix) use its best efforts to obtain all necessary consents, assignments, waivers or amendments or terminations to any instruments, or to take such other measures as may be appropriate to fulfill its obligations under, and to carry out the transactions contemplated by, this Agreement.

(c) Stanrock agrees to furnish to Denison for inclusion in Denison's Information Circular — Proxy Statement for the meeting of its stockholders referred to in Article 5(b)(i) hereof, such information, in addition to the information contained in this Agreement or any schedule heretofore delivered by Stanrock to Denison, relating to the financial condition, business, properties and affairs of Stanrock as may reasonably be requested by Denison, which information shall be true and complete in all material respects.

(d) Stanrock shall pay the costs and expenses incurred by it in entering into and carrying out this Agreement, including without limitation the reasonable fees and expenses of its counsel and accountants. In this connection, Stanrock shall cause to be retained in a separate bank account cash in the amount of \$25,000 to pay all such costs and expenses as shall not be paid prior to the date of the Amalgamation. Such cash shall be used only to pay such costs and expenses, and any balance thereof remaining at the expiration of 150 days following the date of the Amalgamation shall be paid over to the Amalgamated Company.

Article 4. Covenants of Denison.

(a) Denison agrees to furnish to Stanrock for inclusion in Stanrock's Information Circular — Proxy Statement for the meeting of its stockholders referred to in Article 5(a)(i) hereof, such information, in addition to the information contained in this Agreement or any schedule heretofore delivered by Denison to Stanrock, relating to the financial condition, business, properties and affairs of Denison as may reasonably be requested by Stanrock, which information shall be true and complete in all material respects, provided, however, Denison shall not be required to furnish Stanrock any information hereunder which Denison is

under no obligation to make public under the laws of the Province of Ontario and which as a matter of policy Denison does not make public.

(b) Denison agrees to use its best efforts to obtain all necessary consents, assignments, waivers or amendments or terminations to any instruments, or to take such other measures as may be appropriate to fulfill its obligations under, and to carry out the transactions contemplated by, this Agreement.

Article 5. Conditions.

(a) The obligation of Denison to consummate the Amalgamation shall be subject to each of the following conditions:

(i) On or before February 10, 1973 a general meeting of shareholders of Stanrock shall have been duly called and held, and resolutions of the Board of Directors of Stanrock approving this Agreement and the Amalgamation Agreement shall have been confirmed by not less than two-thirds ($\frac{2}{3}$) of the votes cast at such meeting.

(ii) On or before February 10, 1973 resolutions of the Board of Directors of Denison approving this Agreement and the Amalgamation Agreement shall have been duly confirmed by the shareholders of Denison.

(iii) The representations and warranties made by Stanrock in Article 1 hereof shall be correct in all material respects on and as of the date of Amalgamation with the same force and effect (except as affected by the transactions contemplated hereby, transactions approved by Denison and changes occurring after the date hereof in the ordinary course of business) as though such representations had been made on and as of the date of Amalgamation, the covenants and conditions contained herein to be performed or complied with by Stanrock on or prior to the date of Amalgamation shall have been performed or complied with, and Stanrock shall have delivered to Denison a certificate to such effect signed by the President or a Vice-President and the Treasurer of Stanrock.

(iv) All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto, and all other related legal matters, shall have been approved by counsel for Denison, which approval shall not be unreasonably withheld.

(v) Denison shall have received an opinion of Messrs. Cassels, Brock, Canadian counsel for Stanrock, dated the date of Amalgamation, in form and substance satisfactory to Denison, to the effect that (a) Stanrock is a corporation duly organized and existing and in good standing under the laws of the Province of Ontario; (b) except as stated in a schedule heretofore delivered by Stanrock to Denison, or in said opinion, such counsel do not know of any material pending litigation to which Stanrock is a party defendant or is otherwise involved or of any material threatened litigation against or involving Stanrock; (c) the consummation of the transactions contemplated by this Agreement will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Letters Patent or articles of incorporation or by-laws of Stanrock or any indenture, agreement or instrument to which it is a party or by which it may be bound and of which such counsel shall have knowledge; (d) all corporate and other proceedings required to be taken by or on the part of Stanrock to authorize it to enter into and carry out this Agreement and the Amalgamation Agreement and to authorize the Amalgamation on the part of Stanrock have been duly and properly taken; (e) this Agreement and the Amalgamation Agreement have been duly executed and delivered by Stanrock and are valid and binding obligations thereof in accordance with their terms; and (f) such other matters as Denison may reasonably request, excluding any matter in respect to corporate, individual or other taxes.

(vi) Appropriate authorization, to the extent required, shall have been granted by any governmental department, commission, board, bureau, agency or instrumentality of the United States or any state thereof or Canada or any province thereof, including any proper authority under any applicable "blue sky" law or laws of the Province of Ontario, to carry out the transactions contemplated hereby.

(vii) No action shall have been instituted or threatened by or on behalf of any shareholder of Denison, against Denison or its officers or directors, seeking an injunction or damages on account of the transactions contemplated hereby.

(b) The obligation of Stanrock to consummate the Amalgamation shall be subject to each of the following conditions:

(i) On or before February 10, 1973 a general meeting of the stockholders of Denison shall have been duly called and held, and resolutions of the Board of Directors of Denison approving this Agreement and the Amalgamation Agreement shall have been confirmed by not less than two-thirds ($\frac{2}{3}$) of the votes cast at such meeting.

(ii) On or before February 10, 1973 resolutions of the Board of Directors of Stanrock approving this Agreement and the Amalgamation Agreement shall have been duly confirmed by the shareholders of Stanrock.

(iii) All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto, and all other related legal matters, shall have been approved by counsel for Stanrock, which approval shall not be unreasonably withheld.

(iv) Stanrock shall have received an opinion of Messrs. Fraser & Beatty, counsel for Denison and the Amalgamated Company, dated the date of Amalgamation, in form and substance satisfactory to Stanrock, to the effect that (a) Denison is a corporation duly organized and existing and in good standing under the laws of the Province of Ontario, Canada; (b) all corporate and other proceedings required to be taken by or on the part of Denison to authorize it to enter into and carry out this Agreement and the Amalgamation Agreement and to authorize the Amalgamation on the part of Denison have been duly and properly taken; (c) this Agreement and the Amalgamation Agreement have been duly executed and delivered by Denison and are valid and binding obligations thereof in accordance with their terms; (d) the consummation of the transactions contemplated by this Agreement will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Letters Patent or articles of incorporation or by-laws of Denison or any indenture, agreement or instrument to which it is a party or by which it may be bound; (e) appropriate authorization, to the extent required, has been granted by any governmental department, commission, board, bureau, agency or instrumentality of Canada or any province thereof, including any proper authority under any applicable "blue sky" law or laws of the Province of Ontario, to carry out the transactions contemplated hereby; and (f) the shares of the Amalgamated Company to which shareholders of Stanrock are to be entitled under the Amalgamation Agreement will, upon the Amalgamation, be duly authorized, and validly issued, fully paid and nonassessable, and duly listed on The Toronto Stock Exchange, or approved for listing thereon, subject to compliance with the requirements of the Exchange.

(v) The representations and warranties made by Denison in Article 2 hereof shall be correct in all material respects on and as of the date of Amalgamation with the same force and effect (except as affected by the transactions contemplated herein and changes occurring after the date hereof in the ordinary course of business) as though such representations had been made on and as of the date of Amalgamation, the covenants and conditions contained herein to be performed or complied with by Denison on or prior to the date of Amalgamation shall have been performed or complied with, and Denison shall have delivered to Stanrock a certificate dated the date of Amalgamation to such effect signed by the President or a Vice-President and the Treasurer of Denison.

(vi) From and after the date of this Agreement to the date of Amalgamation, Denison shall not have authorized or effected any split-up of its shares or other change in the rights of the holders of its shares or have declared or paid any stock dividend or made any other distribution to the holders of its shares, other than usual cash dividends.

(vii) Appropriate authorization, to the extent required, shall have been granted by any governmental department, commission, board, bureau, agency or instrumentality of the United States or any state thereof or Canada or any province thereof, including any proper authority under any applicable "blue sky" law or laws of the Province of Ontario, to carry out the transactions contemplated hereby.

(viii) No action shall have been instituted or threatened by or on behalf of any shareholder of Stanrock, against Stanrock or its officers or directors, seeking an injunction or damages on account of the transactions contemplated hereby.

Article 6. Amalgamation.

Denison and Stanrock agree that, upon the terms and subject to all the conditions herein set forth,

(a) the shares of Denison and Stanrock which are issued and outstanding, after the issuance of the Articles of Amendment provided for in Article 3(a) hereof and immediately prior to the date of the Amalgamation, shall, on and from such date, be converted into issued and outstanding shares of the Amalgamated Company as follows:

(i) the shares with a par value of \$1.00 each in the capital of Denison shall be converted, share for share, into a like number of shares with a par value of \$1.00 each in the capital of the Amalgamated Company;

(ii) the shares without par value in the capital of Stanrock (including the shares with respect to which stockholders of Stanrock become entitled to fractions of shares upon the consolidation of

shares provided for in Article 3(a)(iii) hereof) shall be converted, share for share, into a like number of shares with a par value of \$1.00 each in the capital of the Amalgamated Company; and

(b) after the issuance of the certificate of amalgamation of Denison and Stanrock, the stockholders of Denison and Stanrock may, when requested by the Amalgamated Company, surrender the certificates representing the shares of Denison and Stanrock held by them respectively for cancellation and shall be entitled to receive certificates for shares of the Amalgamated Company on the bases aforesaid, provided that George Rowe, Jr. shall not receive any certificate in respect of the shares cancelled in accordance with the provisions of Article 3(a) hereof and provided further that those persons who were stockholders of Stanrock and who by reason of the consolidation of shares referred to in Article 3(a) hereof become entitled to fractions of shares of Stanrock shall be entitled to similar fractions of shares of the Amalgamated Company but shall not be entitled to be registered on the books of the Amalgamated Company in respect thereof or to receive share certificates therefor and shall be entitled to receive bearer fractional certificates in respect of such fractions in accordance with the provisions of Section 52 of The Business Corporations Act (Ontario).

Article 7. Amendment of Agreement.

This Agreement may be amended by written agreement of the parties hereto, and any such amendment may (i) change the time for performance of any of the obligations or acts of the parties hereto, including changes of the date of Amalgamation, (ii) waive any inaccuracies or modify any representation contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with or modify any of the covenants or conditions herein contained and waive or modify performance of any of the obligations of the parties hereto; provided, however, that after the meeting of stockholders of Stanrock referred to in Article 5(a)(i) hereof, no modification shall be made which will affect the number of shares of the Amalgamated Company deliverable for each share of Stanrock on the date of Amalgamation.

If the Amalgamation does not take place on or before February 28, 1973, either party may terminate this Agreement and the Amalgamation Agreement upon written notice to the other party.

This Agreement and the Amalgamation Agreement may also be terminated by mutual agreement of the parties hereto, and the respective Boards of Directors of Stanrock and Denison may at any time at or before the date of Amalgamation, without further action on the part of their respective stockholders, authorize any such termination by mutual agreement.

Article 8. Expenses and Commissions.

Each party shall pay its own expenses in connection with the preparation and execution of this Agreement and the transactions contemplated hereby or incidental hereto. Each party represents and warrants to the other that there are no claims for brokerage commissions or finder's fees in connection with this Agreement or the transactions contemplated hereby or incidental hereto.

Article 9. Notices.

Any notice or communication given pursuant hereto by either party to the other party hereto shall be in writing and delivered or mailed by registered mail, postage prepaid, as follows:

If to Denison:

E. B. McConkey, Treasurer
Denison Mines Limited
4 King Street West
Toronto, Canada

If to Stanrock:

George Rowe, Jr., President
Stanrock Uranium Mines Limited
30 Rockefeller Plaza, Room 3217
New York, New York 10020

and

H. Donald Guthrie Q.C.
Cassels, Brock
165 University Avenue
Toronto 1, Ontario

or at such other address as hereafter shall be furnished in writing by either party to the other party.

Article 10. Termination of Representations, Conditions and Warranties.

Notwithstanding anything to the contrary herein contained, none of the representations, conditions and warranties made in this Agreement shall survive the Amalgamation.

Article 11. Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

DENISON MINES LIMITED

By

"J. KOSTUIK"
President

C.S.

"J. C. PUHKY"
Secretary

STANROCK URANIUM MINES LIMITED

By

"GEO. ROWE, JR."
President

C.S.

"HARMON DUNCOMBE"
Secretary

